

MONOGRAPH SERIES, 42
CENTER FOR U.S.-MEXICAN STUDIES
UNIVERSITY OF CALIFORNIA, SAN DIEGO

Decentralization and Rural Development in Mexico

*Community Participation in Oaxaca's
Municipal Funds Program*

by

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AND

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ISBN 1-878-367-33-1 (paper)
Printed in the United States of America

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Acknowledgments

The authors are very grateful to Professor Fausto Díaz Montes of the Universidad Autónoma "Benito Juárez" de Oaxaca and the members of the field research team: Alejandro Arrellano, Luis Miguel Bascones, Manuel Fernández, Fátima García, Salomón González, Fernando Guardarrama, and Luis Adolfo Méndez Lugo. Local, state, and federal officials in Oaxaca were very generous with their time and information.

Special thanks to Martin Diskin for early input and inspiration. Pablo Policzer provided essential support with the statistical analysis, and Matthew Wexler generously assisted with the figures. Jonathan Schlefer, Ronald Dore, and Aubrey Williams offered very useful comments on earlier drafts. Andrea Silverman, Task Manager for the World Bank's Decentralization and Regional Development project, provided crucial insights and constructive criticism throughout the process. Thanks also to Frank Lysy, Lead Economist for Mexico at the World Bank, for kindly permitting use of the map.

This study was funded by the World Bank's internal Participation Learning Group, with support from the Swedish International Development Agency. The Ford Foundation's Mexico City office provided additional research support via the Universidad Autónoma "Benito Juárez" de Oaxaca, permitting the first publication of research findings (Díaz Montes and Aranda 1995).

This monograph is based on the final study presented to the World Bank and the Mexican Social Development Ministry in September 1994. The empirical findings have not been updated or changed significantly. The data and analysis presented here are the exclusive responsibility of the authors, who had complete autonomy from both the World Bank and the government to carry out their research. A related Spanish-language version of this study will appear in a forthcoming issue of the *Revista Mexicana de Sociología* (Fox and Aranda n.d.).

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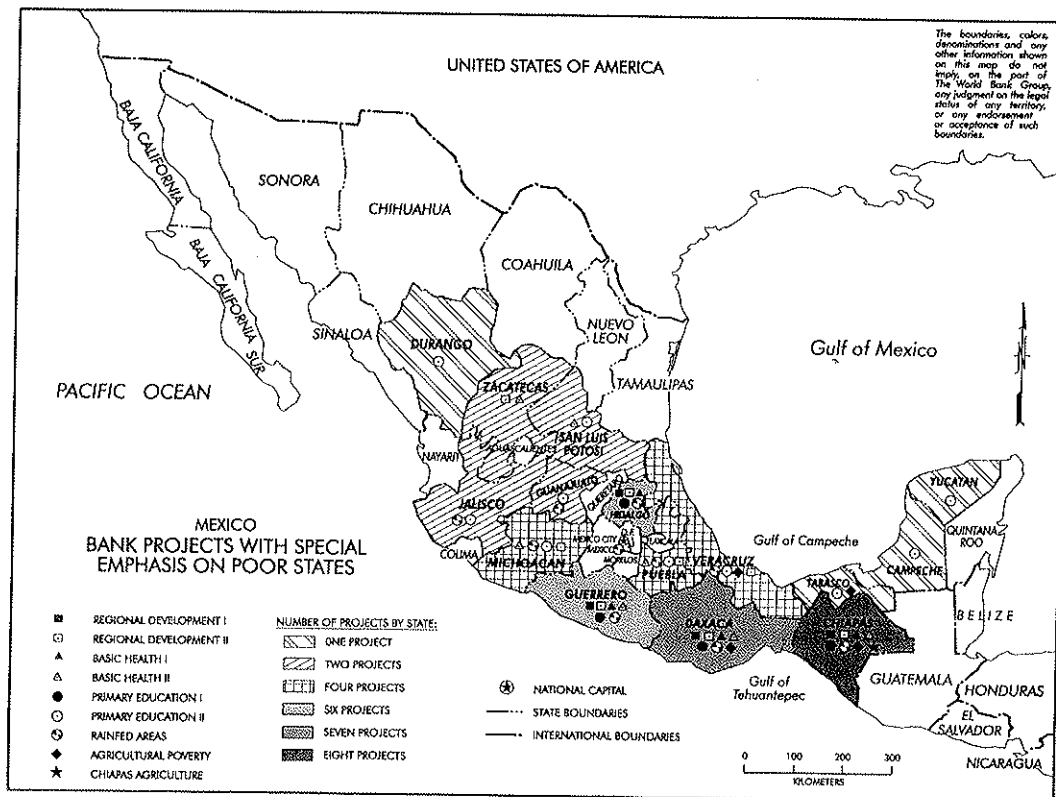
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Preface

The World Bank and Poverty Lending in Rural Mexico

*Jonathan Fox*¹

Mexico has long been one of the World Bank's principal developing-country clients, second only to India as a cumulative borrower. Because of the diplomatic sensitivity of the Bank-government relationship, however, nongovernmental policy analysts have generally been limited to making inferences about the Bank's role, with little access to independent empirical evidence about how decisions are made or where the funds actually go. Indeed, until the World Bank's 1994 reform of its information disclosure policy, even the most basic project information was confidential (Udall 1994; World Bank 1994a). Most project evaluation information remains confidential.

The following study of a community development project suggests both possible similarities and differences with the rest of the growing "social sector" component of Mexico's World Bank portfolio. The findings, however, are limited to one subcomponent of one loan in one state, among dozens of past, present, and future rural development loans. This preface situates the study in a broader context, presenting a brief overview of World Bank lending to Mexico over the past decade.

In the 1960s and 1970s, the World Bank invested heavily in Mexico's state-led, import-substituting industrialization project. After the 1982 collapse of the oil-debt boom, however, both the Bank and the dominant currents within the government concluded that the limits of

¹This preface draws from the author's ongoing research into the World Bank's Mexico portfolio, which began after the following study was completed. This research was made possible by an International Affairs Fellowship from the Council on Foreign Relations, as well as research grants from the John D. and Catherine T. MacArthur Foundation (Program on Peace and International Cooperation) and the Social Science Research Council.

this strategy had been reached, and both began pushing the state toward dramatic economic liberalization. As a 1994 internal World Bank evaluation of its relationship with Mexico found:

Bank/Mexico relations, while always generally good, have become closer and more stable over the last decade. Improved arrangements for collaboration and coordination have increased the ability of the relations to avoid or withstand frictions, and external events and changes in attitudes have increased the acceptability of Bank advice and financing by Mexico (World Bank 1994b: iii).²

This study concluded that the Mexican government had long limited the Bank's role to financing and to certain sectors but began to welcome Bank policy advice after the debt crisis.³

In the middle and late 1980s, the Bank's Mexico portfolio concentrated on structural adjustment, liberalization, and infrastructure, but by the early 1990s the portfolio began to include significant lending for antipoverty and environmental projects.⁴ Table 1 shows the patterns of 1986–1996 World Bank loans to Mexico, including those projects still in the design phase (in chronological order). The overall amount of lending evolved in a "sideways-S" pattern, rising sharply in the late de la Madrid and early Salinas presidencies, falling in the early 1990s, and then rising again in response to the 1994 peso crisis.⁵ Total lending commitments for the five-year period 1986–90 totaled U.S.\$9.9 billion, with only 8.6 percent allocated to poverty-targeted loans.⁶ As table 2 shows, total lending for 1991–1995 fell slightly, to \$8.4 billion, but the share allocated to poverty-targeted lending rose

²This report was summarized in Chatterjee 1995 (published in Mexico as IPS 1995a).

³This study also found that the performance of its loans to Mexico was quite uneven, with a 1948–1992 "unsatisfactory" project rate of 32 percent (23 percent higher than the average failure rate of 26 percent for the same period worldwide). Most of these problem projects were concentrated during the late 1970s and early 1980s. In terms of the Bank's economic "sustainability" evaluation criteria, of the 1964–1987 projects analyzed (31 of 68), 35 percent were rated as "sustainable," 39 percent as "uncertain," and 26 percent as "unlikely" (World Bank 1994b: 140). Note that these are internal evaluation criteria, based on Bank and government information. Nongovernmental policy analysts, with different impact criteria and access to independent, field-based information, might come to different conclusions.

⁴For a Mexican NGO critique of structural adjustment, see Heredia and Purcell 1994.

⁵For the Bank's official public analysis of the causes and effects of the peso crisis, see Burki and Edwards 1995.

⁶Note that the dates of (fiscal year) lending commitments do not correspond to disbursements, since projects are carried out over several years, usually followed by a five-year grace period before repayment begins.

TABLE 1
WORLD BANK LOANS TO MEXICO, 1986–1996

Fiscal Years	Loan Commitments (US\$ millions)
1986	1,204
Railways V	300
Agricultural Credit IX	180
Housing Development	150
Agricultural Development II (Chiapas-PRODERITH)	109 ¹
Emergency Reconstruction	400 ¹
Municipal Development	40
Solid Waste Pilot	25 ²
1987	2,013
Trade Policy I	500 ³
Industrial Recovery	350
Technology Development	48
Export Development II	250 ³
Urban Transport	125
Agricultural Financial Intermediation	400
Small and Medium Industry IV	185
Agricultural Extension	20
Highway Maintenance	135
1988	1,895
Manpower Training	80
Trade Policy II	500 ³
Steel Industry Restructuring	400 ³
Agriculture Sector Adjustment I	300 ³
Fertilizer Industry Restructuring	265 ³
Ports IV	50
Housing Finance	300
1989	2,230
Industrial Restructuring	250
Hydroelectric Development	460
Financial Sector Adjustment	500 ³
Public Enterprise Reform	500 ³
Industry Sector Policy	500 ³
Water, Women, and Development	20 ^{2,3}

(TABLE 1 CONTINUED)

1990	2,607.5
Forestry	45.5
Low-income Housing II	350 ¹
Agricultural Marketing II	100
Interest Support	1,260 ³
Power Transmission & Distribution	450
Road Transport & Telecommunications	380 ³
Telecommunications Technical Assistance	22
1991	1,882
Water Supply & Sanitation	300 ²
Basic Health Care	180 ¹
Export Sector	300 ³
Agriculture Sector II	400 ³
Decentralization & Regional Development	350 ¹
Mining Sector Restructuring	200
Technical Training III	152
1992	1,489
Primary Education	250 ¹
Irrigation & Drainage	400
Environmental/Natural Resources	50 ²
Agricultural Technology	150
Science & Technology Infrastructure	189
Housing Market Development	450
1993	1,154
Initial Education	80 ¹
Labor Market & Productivity	174
Medium Cities Urban Transportation	200
Transport Air Quality Management	220 ²
Highway Rehabilitation & Traffic Safety	480
1994	1,530
On-Farm & Minor Irrigation	200
Primary Education II	412 ¹
Northern Border Environment	368 ²
Water and Sanitation II	350 ²
Solid Waste II	200 ²

(TABLE 1 CONTINUED)

1995	2,387.4
Rain-fed Areas Development	85 ¹
Decentralization & Regional Development II	500 ¹
Technical Education	265
Financial Sector Technical Assistance	23.6
Financial Sector Technical Assistance	13.8
Financial Sector Restructuring	1,000
Essential Social Services	500 ¹
1996 (partial)	
Infrastructure Privatization Technical Assistance	30
Basic Health Care II	310 ¹
<i>Projects under preparation</i>	
Rural Financial Markets Technical Assistance	35
Federal Roads Modernization	300
Financial Sector Restructuring II	500
Housing III	450
Basic Health III	200 ¹
Monterrey Environment	50 ²
Sustainable Development	150 ^{1,3}
State and Municipal Management	30
Industrial Pollution Control	150 ³
Integrated Hazardous Waste	200 ³
Aquaculture	50 ²
Community Forestry	50 ^{1,3}
Power Transmission & Distribution	400
Water Resources Management	150
Preschool Education II	320 ¹

Project types (based on World Bank descriptions):

¹Project targeted primarily to very low income citizens.

²Structural adjustment loans (policy- rather than project-based).

³Significant environmental components.

Note: The 1988 and 1993 labor training projects (PROBECAT) also included significant poverty-targeted subcomponents focused on unemployed workers. See Revenga, Riboud, and Tan 1994.

Sources: World Bank, *Annual Reports*, Country Operations data (LA2CO), *Monthly Operational Summary*, February 1, 1996 (for projects in preparation phase). Some loans were subsequently restructured, reducing their total amounts.

TABLE 2
CHANGING SHARE OF WORLD BANK POVERTY
AND ENVIRONMENTAL LENDING TO MEXICO, 1986–1995

Total Lending Commitments (US\$ billions)	Poverty-Targeted (%)	Environmental (%)
1986–90 9.949	8.6	0.45
1991–95 8.442	27.9	14

to 27.9 percent and the environmental share rose from insignificant levels to 14 percent. "Poverty-targeted" is defined here as loans that primarily fund services and investments whose social and geographic scope give priority to low-income citizens (examples include basic health and education in the poorest states). The categorization of some projects may be ambiguous, since several projects that include poverty-targeted subcomponents representing less than half of the loan are not included. Moreover, this list does not attempt to document the actual degree of poverty targeting *in practice*, since that depends largely on the government's implementation process, which would require detailed, field-based independent analyses to assess. The goal here is more limited: to identify broad trends in the World Bank's Mexico portfolio.

The World Bank's early 1990s social strategy was quite congruent with the government's policy. Note, for example, a 1991 World Bank study by Santiago Levy, who later became an undersecretary of finance in the Zedillo administration and an influential liaison with the World Bank.

The main determinants of poverty in Mexico are macro-economic uncertainty, an urban bias in social and infrastructure spending, and institutional arrangements and government policies in rural areas that discriminate against the poor (Levy 1991: 1).⁷

⁷The summary of his findings went on to recommend: "Benefits to the poor should be administered under a single program that simultaneously delivers food (through coupons rather than price subsidies), preventive health services, and information on hygiene, birth control and food handling" (1991: 1). The government began use of a sophisticated card for free tortillas to means-tested urban poor in the early 1990s and

The World Bank's antipoverty strategy shared this broad approach, attempting to improve the targeting, coverage, and quality of basic services in the poorest regions of Mexico.⁸ The Bank's significant investments in human capital formation in the early 1990s included large loans for basic health, education, and community infrastructure, each targeted to four of the poorest states (see map). By the mid-1990s, each of these projects was followed by successor loans that expanded their territorial coverage to more states, as well as a large, quick-disbursing health and education loan as part of the response to the peso crisis and a push toward greater decentralization to state governments.⁹

Though targeted to largely indigenous populations, these social-sector projects included few measures that followed the World Bank's 1991 indigenous peoples policy directive, which mandated "informed participation of the indigenous peoples themselves" in all phases of the project cycle.¹⁰ More generally, in contrast to the World Bank's recognition of the importance of human capital to the development process, its Mexico strategy has only barely begun to recognize the development potential of Mexico's *social capital*. Through decades of effort, many of Mexico's rural and indigenous citizens have managed to "scale up" their village-level social capital to build broad regional and national networks of community-based economic and civic organizations (Fox 1996). In contrast to the Bank's tendency to reproduce the conventional "public-private sector" dichotomy, it should be noted that two small new Bank projects in the design phase have included some participation by representative social organizations and nongovernmental development organizations. These projects are de-

began to extend it to other programs on a pilot basis in March 1996 in the state of Campeche.

⁸This approach contrasted with past government rural development efforts, some supported by Bank loans, intended to make family farming economically viable. During the Salinas presidency, the dominant tendency among government policy makers assumed that an abrupt increase in rural out-migration was both likely and economically necessary (Fox 1994a, 1995).

⁹The basic project documents for post-1994 loans are publicly available through the World Bank's Public Information Center, 1818 H St., Washington, D.C. 20433, FAX 202 522-1500, pic@worldbank.org. These reports, known as Staff Appraisal Reports, contain extensive information that is not easily accessible within Mexico, though they are only made public once the loan is signed. Most of the reports have not been translated, and as of early 1996 even the English-language versions were not publicly available within Mexico from either the Bank Resident Mission or the government.

¹⁰The 1994 second basic education loan did include funding for the development and more effective distribution of free textbooks in seventeen indigenous languages. For further discussion of the World Bank's indigenous peoples policy, see Buhl 1994, available by request through the Bank Information Center, 2025 I St. (400) NW, Washington, D.C. 20006, FAX 202 466-8189, bicusa@igc.apc.org.

signed to support community forestry and sustainable development, and both focus significantly on Oaxaca.¹¹

While some economists would still argue that macroeconomic growth will *necessarily* reduce poverty (in the long run), the World Bank's public post-peso crisis analysis suggests some rethinking:

Improving income distribution and alleviating poverty cannot be left to trickle-down consequences of economic growth. Government policies—in particular fiscal programs and tax administration efficiency and fairness—are critical for improving the distribution of income and reducing poverty. As Mexico is discovering, stabilization programs have a better chance of succeeding if political peace can be secured with the help of social safety nets (Burki and Edwards 1995: 6).

At the same time, Mexico's peso crisis put macroeconomic stability and investor confidence back on the top of the Bank's agenda—most evidently through its \$1 billion 1995 loan to deal with the crisis of the private banking system.¹² The full implications of Mexico's difficult macroeconomic situation for the World Bank's social and environmental portfolio in Mexico are not yet clear. The peso crisis did significantly undermine the viability of those World Bank-funded environmental infrastructure projects whose design relied on the capacity of state and local governments to borrow counterpart funds. As a result, some largely undisbursed loans were subsequently restructured (that is, cut back), including the high-profile Northern Border Environment Project (IPS 1995b).

Has World Bank involvement helped to increase the pro-poor targeting, coverage, and quality of the government's social investments? What is the relationship between the now-significant level of social and environmental investments and the rest of the World Bank's

¹¹The Mexico Aquaculture project, due to be finalized in mid-1996, also includes a social investment component, targeted to indigenous fishers, that is open to social organization and NGO participation. The official summaries of Bank projects in the design phase, known as Project Information Documents (PIDs), are available from the World Bank's Public Information Center. The summary of the project known as "Sustainable Development," originally known as "Agricultural Development and Rural Poverty," is the first one to have been officially translated into Spanish by the Bank. For Spanish translations of nominally public Bank project information, contact the new Mexican NGO, Transparencia, S.C. (Av. de los Maestros 91-8, Col. Santo Tomás, C.P. 11430, México, D.F., transparencia@laneta.apc.org.mx).

¹²In an apparent exception to the Bank's information disclosure policy, only a Public Information Document on this loan is available from the Public Information Center (that is, only a summary, not the full Staff Appraisal Report). The official policy on information disclosure permits exceptions if "extensive issues of confidentiality arise" (World Bank 1994a, 1994b).

strategy in Mexico? These questions can only be answered with extensive and independent project monitoring and evaluation, including a careful disentangling of the different roles of diverse actors within the World Bank, the Mexican state, and civil society. Moreover, project evaluations will be most useful to Mexican civil society if they are produced and made public in "real time," as the projects are being designed and implemented, rather than long after the funds have been spent.

The changes in the World Bank's Mexico portfolio are unfolding in a broader international context. The World Bank has proclaimed a wide range of environmental and social reforms since the late 1980s and early 1990s, largely in response to international pressure from nongovernmental organizations and donor governments they have managed to influence.¹³ These policy reforms promise greater sensitivity to the environment, poverty targeting, gender, and indigenous peoples. They also promise changes in decision-making processes, including greater public access to information, the creation of an official channel for investigating complaints from people affected by projects, more community-based participation, more extensive cooperation with NGOs, and official concern for pro-accountability governance reforms. Notable trends include the increased internal legitimacy of the reform wing that favors "stakeholder" participation in project design and implementation (World Bank 1994c, 1995, 1996). Tangible progress toward reform implementation on the ground remains uneven, however, and most NGO critics remain skeptical.

In 1995 a dynamic new president came to the World Bank. Whether he will significantly accelerate the implementation of the promised reforms is still unclear. He did visit Chiapas for one day, saw local projects, met with a few organizations, and left quite concerned about the low impact of the government social investments funded by Bank loans. Whether this concern will translate into significant changes in strategy or the portfolio remains to be seen.

For researchers interested in these issues, the main challenge is to explain the varying degrees to which the World Bank's new reform discourse actually influences lending patterns, state practices, and relations with underrepresented groups in civil societies around the world. In practice, the distance between policy and practice will be largely determined by civil society's capacity to influence the policy

¹³For a comprehensive mainstream overview of the challenges facing the World Bank, see the Bretton Woods Commission report (1994). For overviews of Bank-NGO relations, see Fox and Brown n.d.; Nelson 1995; Paul and Israel 1991. Among the vast critical NGO literature on the Bank, see Rich 1994, among others. For regular coverage of World Bank-NGO debates, see *Bankcheck Quarterly* and the many electronic conferences on Econet.

process and to hold both the government and the World Bank accountable for their development decisions.

1

Introduction

The international development policy mainstream increasingly recognizes that governance issues must be taken into account to make development policy reforms effective.¹ By the early 1990s, decentralization gained widespread support around the world as the proposed solution to long-standing problems of public-sector efficiency and equity. The widely held assumption is that by bringing government decision making closer to the citizenry, decentralization increases public-sector accountability and therefore effectiveness. In practice, advocates of decentralizing antipoverty policy often assume that devolving decision making to state and local governments *necessarily* increases development effectiveness and responsiveness to the citizenry. Some recognize that local governments need to be strengthened in order to carry out their newly devolved responsibilities, but this process has received much less attention. For example, little is known about what happens if decentralization precedes the institutional changes needed at state and local levels. Indeed, the empirical evidence on the actual capacity of local governments to improve development outcomes has lagged behind the enthusiasm for decentralization (Gershberg 1993, 1995).

The wave of enthusiasm for decentralization has been encouraged by its conceptual compatibility with the decentralized mechanisms of productive resource allocation associated with free markets. This influential approach considers decentralization to be the appropriate mechanism for reforming the provision of public goods such as health, education, and targeted poverty-reduction programs. However, just as concentrated market power, rent seeking, and other kinds of market failure can block the private sector's promised productive

¹See World Bank 1994d. For an assessment of the limits to a depoliticized approach to "governance," see Fox 1995.

efficiency, authoritarian and/or bureaucratic concentrations of power at local and state levels can prevent decentralization from leading to increased public-sector efficiency and accountability. The study that follows suggests that devolving project-funding decision making to local governments is not likely, by itself, to promote increased accountability or efficiency.² The outcome is promising where local governments are already democratic and responsive to their citizens, as in Mexico's state of Oaxaca. Where these prior conditions do not hold, however, decentralization could actually reinforce authoritarian rule at the local level, as in the states of Chiapas or Guerrero.³

The linkages between decentralization to local governments and community participation are uncertain in a wide range of countries. Although municipal development funds are in increasingly widespread use around the world, most do not encourage community participation. As one study of nine different programs in eight countries concluded, "to the extent that municipal development funds devolve decision-making power, they typically give it exclusively to the mayor rather than include the local legislative body and community associations" (Ferguson 1993: 168). Rural local governments are especially problematic. They can be very direct channels for targeted antipoverty programs because they ostensibly represent the poorest of the poor, but they are usually the poorest and institutionally weakest local governments. For example, small local governments may be at a special disadvantage for carrying out development activities that involve economies of scale (Prud'homme 1994). The capacity of rural local governments to represent the poorest citizens presents an even greater problem. Even if electoral politics are competitive at the national level, rural political maps are usually quite uneven, often dominated by entrenched authoritarian redoubts, perhaps dotted by enclaves of relatively democratic pluralism (Fox 1994b). Official decentralization programs rarely take this heterogeneity into account. Researchers face the challenge of documenting generalizable patterns

²This is quite consistent with Gershberg's comprehensive econometric analysis of Mexico's educational system performance, which found that decentralization without accountability is unlikely to produce improved service delivery (1993, 1995).

³Graham makes a similar observation, citing experiences in West Bengal and Nepal: "unless local power structures are also reformed, decentralization may merely allow the local elites to become more powerful" (1994: 12). Few researchers have grappled with the question of which level of government is most appropriate for decentralization of which activity. When should responsibility be devolved to state governments and when to local governments? Some assume that "more local is always better," but findings from northeast Brazil suggest that reformist health and agricultural extension programs succeeded there largely because a democratized state government did not cede control to clientelistic municipalities (Tendler and Freedheim 1994). In Mexico, in contrast, strengthening states versus municipalities could have a very different result.

amidst inherently heterogeneous local development decision-making processes.⁴

The study of policy implementation that follows analyzes diverse project processes and outcomes in programs designed to strengthen local government and community decision making in the poorest areas of rural Mexico. This study had three main goals. The first was to document how the Municipal Solidarity Funds program works and to assess the development impact of these community development block grants. The second goal was to analyze the broad patterns of local decision-making processes that led to project choices and influenced the process of project implementation. The choice was made to emphasize breadth over depth, in order to permit a statewide assessment of program performance. The third goal was to explore the relationship between process and outcome, to understand better how the process of community participation affected development impact. Because of the diversity inherent in decentralization outcomes, the empirical findings are not generalizable beyond the state and program studied. In order to highlight the causes and effects of a full spectrum of degrees of local participation, the study needed to focus on a state where a significant level of community participation was likely to be found. The study focused on Oaxaca, a state of approximately three million people. Oaxaca's system of local government is unique in Mexico, since the jurisdictions are much smaller, more numerous, and relatively more autonomous than in other Mexican states.

Even with Oaxaca's relatively favorable environment for decentralization and community participation, the study found a wide range of project processes and outcomes, permitting a comparative analysis of what works and what does not. The first phase of the study produced generalizations about project decision making based on a representative sample of municipalities in the state, while the second phase concentrated on the determinants of micro-level project impact in a subset of these municipalities. In terms of the implications for the decentralization of development decisions to rural local government in Mexico more generally, the study's findings strongly suggest hypotheses about the factors that are likely to favor or block broad-based community participation in states with less hospitable institutional environments.

⁴For one of the most prominent recent studies of the outcomes of decentralization and the impact of prior social legacies, see Putnam 1993. Crook and Manor's cross-national comparison looks at completely different cases but comes to similar conclusions (1994). For an assessment of Putnam's argument in the rural Mexican context, see Fox 1996.

Rural Poverty in Mexico

Extreme poverty worsened throughout the 1980s and 1990s in Mexico, in spite of the 1989–1994 period of apparent macroeconomic stabilization and growth. The 1992 United Nations/Mexican government household survey found that the percentage of Mexicans living in “extreme poverty,” measured by their capacity to buy a minimum basic market basket of food, did fall from 14.9 million people in 1989 (18.8 percent of the population) to 13.6 million in 1992 (16.1 percent) (INEGI-CEPAL 1993a). However, the absolute number was still higher than in 1984, when it was 11.0 million people (15.4 percent of the population). While the official data show a drop in both absolute and relative extreme poverty levels from 1989 to 1992, both indicators remained significantly *higher* than in 1984—then already two full years into the debt crisis.⁵

Disaggregating the data into urban and rural patterns shows sharply diverging trends.⁶ The aggregate 1989–1992 drop masked two completely different tendencies. The number in extreme poverty in urban areas fell from 6.5 million in 1989 to 4.8 million in 1992. At the same time, the number in extreme poverty in rural areas *increased* from 8.4 million to 8.8 million. So the overall drop of 1.3 million reflected the combination of an increase of 0.4 million in rural areas, offset by a 1.7 million drop in urban areas. The concentration of the population in “extreme poverty” in rural areas also grew between 1989 and 1992, from 73 percent of the extremely poor in 1989 to 83 percent in 1992. The population in extreme poverty in Mexico’s rural southern states was greater than the entire population in extreme poverty in urban areas. Notably, rural extreme poverty is on a steady upward trend across the three official surveys, from 6.7 million in 1984 to 8.8 million in 1992—in sharp contrast to the “inverted U” pattern from 1984 to 1992 in urban areas. In other words, macroeconomic stabilization and urban/industrial economic growth coexisted with worsening levels of absolute poverty in rural areas before the peso crisis of 1994.

⁵The official data showing a reduction in absolute levels of poverty provoked a great deal of debate and skepticism within Mexico. While the National Solidarity Program reported large increases in the coverage of basic services such as water and electricity, especially in urban areas, this would not have affected the INEGI-CEPAL survey, since its poverty line was based on income levels. See INEGI-CEPAL 1993b.

⁶“Urban” is defined as “localities of 15,000 inhabitants or more.” This is a low threshold. If “localities” refer to entire municipalities rather than urban concentrations within municipalities, then it is quite low. Most municipalities in rural areas include both urban centers and significant numbers of people in outlying villages and hamlets. As Boltvinik’s methodological critique points out, the government used a rural poverty line that was below the cutoff used to determine extreme poverty in urban areas, leading to a likely underestimate of rural poverty levels (1995).

Municipalities and Rural Development

The Mexican government has carried out a wide range of regional and local development programs since the early 1970s, but federal agencies continued to make the key decisions even at the most local levels, at least until recently. Since 1989, the Mexican government began to channel significant amounts of resources to municipal governments to fund development projects to be chosen by local communities, under the umbrella of the multifaceted National Solidarity Program (PRONASOL). The Municipal Funds program, like the National Solidarity Program more generally, targeted the urban poor, peasant smallholders, and indigenous communities.⁷ The Municipal Funds program was among the most decentralized of the various Solidarity programs; others channeled their funding *through* local governments or social organizations while the key resource allocation decisions often remained in the hands of state or federal officials. As part of its strategy to support development programs targeted to the rural poor, the World Bank financed the Municipal Solidarity Funds with a U.S.\$350 million Decentralization and Regional Development project (covering the states of Oaxaca, Hidalgo, Chiapas, and Guerrero from 1991 to 1995).⁸ Municipal Funds were only one of many project components at first, but since they were considered the most successful, they accounted for the bulk of project allocations by the end of the loan.⁹

The Municipal Solidarity Funds represent the confluence of two policy streams in Mexico. The first is a series of innovations in the

⁷For the 1989–1993 period, Municipal Funds accounted for 14 percent of Solidarity spending (SEDESOL 1993a: 26). For overviews of the National Solidarity Program, see Cornelius, Craig, and Fox 1994. It should be noted that the highest levels of per capita Solidarity spending were in the middle-income rather than the poorest states, at least for the 1990–1992 period (detailed data presented in Fox 1995). This is consistent with the statistical findings that interstate spending levels were significantly correlated with electoral calendars (Molinar and Weldon 1994).

⁸In contrast to some of Solidarity’s other components, the Zedillo administration’s support for the Municipal Funds component continues to be strong. By 1995, the Social Development Ministry reported that over 90 percent of federal funds for regional development were channeled through state or local government, at least 50 percent through municipal governments. *La Gaceta* (SEDESOL), April 15, 1995.

⁹The project was originally designed to allocate 30 percent of its funds to productive projects in low-income rural areas, but SEDESOL only disbursed 5 percent of project funds for productive investments. Autonomous grassroots producer organizations from the four project states charged that they should have been eligible for these project funds (Pérez 1993). World Bank officials took this experience into account when designing the second Decentralization and Regional Development project in 1994, which primarily supports Municipal Funds, rural drinking water, and secondary road repair and maintenance. By 1995, planned World Bank loans to support productive investments with social organizations in low-income rural states were under negotiation with the Agriculture and Environment Ministries.

Mexican government's antipoverty programs over the past two decades. Successive reform initiatives have tried different combinations of community participation, job creation, and community implementation and oversight of projects (with wide regional variations as well). The evolution of these various efforts—from PIDER in the mid-1970s to IMSS-COPLAMAR and CONASUPO-COPLAMAR in 1979–1982, and now PRONASOL since 1989—has involved significant movement away from traditional clientelist politics toward greater involvement of community participation in the local implementation of those development programs controlled by reformist policy makers (Fox 1992, 1994c). This trend was paralleled by the spread of autonomous organizations of low-income people, usually based on producer, consumer, village, or neighborhood associations (Fox and Hernández 1992). Societal participation in development decisions remained limited to project implementation at the local level. Poverty reduction strategies generally excluded any societal role in policy formulation, though there were partial exceptions in a few regions and sectors. One case is the notable, though partial, impact of the autonomous smallholder coffee movement on sectoral policy, and another is the National Indigenous Institute's "Regional Solidarity Funds" (Hernández and Celis 1994; Fox 1994c). Only in these two cases did the government allow autonomous social organizations to go beyond project implementation and participate in resource *allocation* decisions.

By the early 1990s, Mexico's uneven cycles of targeted and pro-participation federal antipoverty programs began to converge with a gradual process of administrative and constitutional reforms to strengthen the municipality. Through the 1983 amendment of the Mexican Constitution's Article 115, municipalities gained more responsibility in service delivery, and town councils were created to decentralize municipal administration. This reform was partial, since it did not match the new development responsibilities of municipalities with greater sources of revenue, especially in low-income rural areas.¹⁰ Only in 1990 did the government's revenue-sharing formula begin to reduce its bias against poorer, rural states.¹¹ The Municipal

¹⁰On municipal reform, see, among others, Cabrero 1995; Martínez Assad and Ziccardi 1987; Massolo 1991; Merino 1994; V. Rodríguez 1993; Rodríguez and Ward 1995; Ziccardi 1995a, 1995b.

¹¹According to the World Bank's analysis, the pre-1990 federal revenue-sharing formula gave poorer states, on average, one-third the per capita amount received by richer states. The 1989 Ley de Coordinación Fiscal's new formula reduced the ratio of transfers to the three richest entities (Nuevo León, Baja California, and the Federal District) as compared to the six poorest states from 3:1 in 1989 to 2:1 in 1992. The imbalance in capital investments was much greater, with "a few states and the Federal District receiving three times the average level of investment per capita of the rest of the states combined" (World Bank 1994e: 4).

Solidarity Funds program involved a convergence of these two incipient and uneven policy trends. Where these trends can become mutually reinforcing—as in Oaxaca—they have potential to increase the capacity of municipal government to respond to local development needs with greater efficiency and accountability.

Important as these twin reform trends are, they were not representative of national federal investment spending, at least through 1992. Indeed, the Municipal Funds program takes on special importance in the context of overall 1990–1992 federal investment patterns that were "skewed in favor of the wealthiest states. . . . [A]verage annual per capita federal investment in the poorest states was N\$381 [new pesos] while the wealthiest states received N\$765—more than twice as much." Solidarity investment accounted for 17 percent of this total federal investment, but even Solidarity spending "has not targeted the poorest states; every year during this period per capita Solidarity expenditure in the medium cohort [of state-level marginality indicators] has exceeded that of the high cohort, and in like manner the high cohort has been systematically greater than the very high [poorest] cohort."¹² In contrast to the ambiguous criteria for interstate allocation of overall Solidarity spending, the Municipal Funds program attempted to target development funds to the rural areas within the four states funded by the World Bank. The follow-on World Bank project, Decentralization and Regional Development II, explicitly limited its funding to rural municipalities in the four original states, plus four new ones.¹³

¹²Data from the annual *Presidential Report*, analyzed by World Bank staff and published in Fox 1995. See also Molinar and Weldon 1994 on interstate Solidarity spending patterns. Because public Solidarity investment data are available only at the state level, these analyses do not indicate whether funds reached poorer regions or social groups within these states. The increased social spending targeted to Chiapas in 1993 and 1994 took place after both of these studies were concluded.

¹³See World Bank 1994e. For further discussion of Mexico's revenue sharing and pro-poor government-spending targeting, see World Bank and Inter-American Development Bank 1995.

2

Research Design

The study was designed to focus both on the degree to which the Municipal Funds involved community participation and on the impact of decision-making processes on development projects. This meant that it was important to choose a state where some degree of participation was likely. If a similar study were carried out in Guerrero, for example, where both state and local government are widely seen as highly authoritarian, we would have expected to find little genuine participation, and therefore would have been unable to shed light on the relationship between participation and development outcomes. Of Mexico's poorest, largely rural and indigenous states, Oaxaca presented the most promising conditions for finding some degree of successful community participation.

State and local government in Oaxaca has long been understood to be unique in Mexico. Oaxaca is well known to be a largely indigenous state, but most important for the Municipal Funds program is the high degree of indigenous *self-governance* throughout much of the state.¹ In terms of the structure of local government, Oaxaca's municipalities are much smaller than in most of Mexico, in terms of both territory and population. This smaller scale combined with longstanding indigenous traditions of active citizen participation in community decision making to favor the prospects for the success of the program.² The mayors in the smallest communities tend to be chosen

¹ The state accounts for 18.3 percent of Mexico's total indigenous population nationally, more than any other state. The census shows more than 52 percent of Oaxaca's population as indigenous-language speakers, tied for first place with Yucatán (Embriz et al. 1993: 38). Nationally, according to corrected census data, at least 10 percent of Mexicans speak an indigenous language (INI 1990: 12–13). Independent estimates range up to 15 percent.

² Professor Díaz Montes of the Autonomous State University of Oaxaca estimates that only approximately 10 percent of Oaxaca's well over four hundred predominantly

in community assemblies, through either voting or rotating community responsibility systems (*cargos*). Legally the term is for three years, but in the smallest municipalities and in most outlying rural hamlets (*agencias*) the term is usually only one year (because of the opportunity cost of giving up income-generating activity).

In spite of Oaxaca's frequent and diverse conflicts between state authorities, local governments, and citizens' movements, the state government is relatively tolerant of autonomous local participation (compared to other rural states).³ Because of Oaxaca's large number of municipalities (570) and eight ethnically and geopolitically distinct regions, a large sample was needed to be able to generalize about program operations throughout the state. The first phase of the study selected fifty municipalities for initial field visits, documenting program operations and looking for general patterns in terms of how projects were chosen. The second phase looked more closely at local-level project impact, especially outside the town centers, to try to learn more about the relationships between project decision making and social impact. This phase produced both a project impact data base, analyzed below, and a series of more in-depth qualitative municipal case studies.⁴

The first-phase sample attempted to be as representative as possible of Oaxaca's municipalities. In each of the state's eight distinct regions, four to eight municipalities were visited.⁵ Sample selection also ensured the inclusion of all the state's major ethnic groups.⁶ Each regional sample was further divided into several small, medium, and larger municipalities, with relative size varying according to regional standards (for example, a large municipality in the Sierra Norte would be considered small or medium-sized in the Central Valleys). This sample therefore combined diversity both within and between regions. The study covered the first three annual Municipal Funds project cycles (1990 through 1992). In thirty-eight of the fifty muni-

indigenous municipalities are dominated by authoritarian local bosses (personal communication).

³For recent Oaxaca state government "pro-decentralization" discourse, see Carrasco 1995. On local political conflicts in Oaxaca, see, among others, Campbell 1994; Dennis 1987; Díaz Montes 1992; Greenberg 1989; Parnell 1988; Rubin 1994, n.d.

⁴The project data base, including diverse social indicators and project performance data, is presented in Fox and Aranda 1994. Summaries of the in-depth municipal cases are presented in appendix 2.

⁵Listed in appendix 1. Four additional municipalities in the first sample were omitted from the study for varying reasons. Three were discovered to be off limits because of the threat of violence (one because of local political conflict, the other two because of narcotics activity). Another municipality was incommunicado due to weather conditions.

⁶On Oaxaca's ethnic diversity, see Barabás and Bartolomé 1986; Acevedo et al. 1993. For descriptive data on Oaxaca's municipalities, see Centro Nacional de Estudios Municipales 1988.

palities sampled, the entire population lived in localities with fewer than six thousand inhabitants.⁷ The first phase of field research was carried out by a team of six Oaxaca-based social development experts. Insofar as was possible during local visits averaging about two days, researchers interviewed then-current (1993–95) and past (1990–92) mayors and other municipal authorities (especially treasurers), leaders and members of local Solidarity Committees, agrarian authorities, and citizens in general. The research protocol involved a set of interview guidelines designed to provide a general overview of the Municipal Funds decision-making process, concentrating on the roles of the Solidarity Committees and municipal authorities and the reasons for project selection and impact. The researchers did not carry out audits or technical analyses of the projects; their case studies and data were based primarily on direct local interviews and eyewitness accounts.

Municipal Funds Operating Procedures

The Municipal Funds program was designed to devolve local project decision making to the municipal and community level. According to the program's 1992 Technical Guide, the general goal is "to strengthen municipal autonomy and to strengthen their capacity to respond to the community" (SEDESOL 1992: 8). The program's specific goal is "to carry out small public works that improve living conditions and permit access to increased income for campesinos who live in low-productivity areas, indigenous peoples, and inhabitants of marginal urban neighborhoods," the same target groups for the National Solidarity Program in general. The Municipal Solidarity Funds are instructed to follow the Solidarity program's basic principles:

respect for the communities and their decisions, support for organized social participation, co-responsibility in program operations, and honesty, transparency, and efficiency in resource management. The direct executor of the projects will be, to the degree possible, the Solidarity Committee itself; the municipality will be responsible for seeing that the project is carried out in the terms approved by the Social Development [federal ministry] Delegation [state-level office] (SEDESOL 1992: 11).

The federal government determined the amounts assigned to each state, and the state governments determined how much each muni-

⁷For detailed regional breakdowns of sample characteristics, see Fox and Aranda 1994.

pality received. The determinants of interstate allocations were not clear to the public until 1996, when the Social Development Ministry (SEDESOL) used a single, public formula.⁸ To determine which local projects to fund, the mayor, town council, and state government representative were to explain program operations and solicit proposals from each local community. Each town council (*cabildo*) was then to analyze and select the proposals that comply with the program guidelines. Next, a Municipal Solidarity Council was to be formed, led by the mayor and including a representative of the state government, the local municipal delegates (or *agentes*, representatives of the outlying settlements known as *agencias*), the municipal treasurer, the municipal councillor for public works, and representatives of the community-level Solidarity Committees ("to be democratically elected").⁹

The Municipal Solidarity Council was responsible for dividing the funds among localities. The council could allocate up to 15 percent of the funds to projects of its choosing (even outside program guidelines, listed below). Of the remaining 85 percent or more of the resources, only up to 25 percent could be spent in the town center, with 75 percent going to the outlying localities. In those municipalities where over two-thirds of the population lives in the town center, the ceiling rises to 40 percent. If the entire population lives in the center, then the council could use all of the resources there. This intramunicipal allocation formula emerged once the Decentralization and Regional Development project was under way, as a result of discussions between the World Bank and national Social Development Ministry officials about how to improve the program's antipoverty targeting.¹⁰

Program guidelines directed Municipal Funds to be spent on projects that "benefit the largest number of least-favored residents" (SEDESOL 1992: 14). It was inherently difficult to put these resource allocation guidelines into practice for two main reasons. First, project funding decisions were supposed to be demand driven. This implies that the most vocal beneficiaries, not necessarily the poorest, are most likely to win project approval. Second, there could be conflicts be-

⁸A *La Jornada* editorial (January 9, 1996, p. 2) noted that this formula-driven resource allocation method reduced the discretionality widely associated with the Solidarity program, though it also pointed out that the policy decision itself remained in the hands of the executive branch of government—in contrast to the constitutional role assigned to the legislative branch.

⁹Note that this sequence of decision-making processes implies some ambiguity as to the relative weights of the central municipal authorities vis-à-vis the local communities in project choices.

¹⁰Interviews, World Bank staff, 1994. According to the special manual for Municipal Funds in the four states funded by the Decentralization and Regional Development loan, however, in the municipal centers with less than five thousand inhabitants, the *cabecera* funding ceiling was lifted from 25 percent to 75 percent (SEDESOL 1993a).

tween benefiting the poorest and the largest number of residents. "Public goods," such as paved roads, are attractive to local leaders because most residents presumably benefit, but they may not have much antipoverty impact. For example, a basketball court may benefit all local families, whereas more "high-impact" projects, such as a drinking water system, electricity, or a crop warehouse, may only reach some community members—but they may be the poorest in the community.

The specific program guidelines for project grants include: productive projects with potential positive social impact (in the form of loans for investment, though not for working capital); infrastructure, including rural roads, bridges, electricity transmission lines, warehouses, radiotelephones, town marketplaces (only under the 25 percent cap for the town center); and social infrastructure, including piped water, sewerage, neighborhood electricity installation, waste treatment and collection, street and sidewalk paving (only where piped water and sewerage already exist, and under the 25 percent ceiling for the town center), parks (only if residents contribute 50 percent), improvement of schoolhouses and health centers, construction of "telesecondary" schools, sports fields (if beneficiaries contribute 50 percent, and not including wire or fences), pedestrian paths, headquarters for local farmers' groups (*casa ejidal*, if members contribute 50 percent). Projects that fit on this menu of options must also cost less than 100 million (old) pesos, include a contribution of at least 20 percent from the Solidarity Committee (in cash, materials, or labor), not take place where land tenure conflicts might interfere, be a new project (works in progress cannot be covered), be completed in less than one fiscal year, and not be divided into stages. These last conditions would turn out to become major constraints on project impact.¹¹ Once the Municipal Solidarity Council has been formed and the projects approved, an assembly in each community with a project is to elect a formal Solidarity Committee to take responsibility for the construction, operation, and maintenance of the project.¹²

It is important to note that once the local Solidarity Committees and municipal governments made their project choices, approval was still required from state and federal authorities, which greatly prolonged the project cycles. In spite of its pro-decentralization dis-

¹¹In the case of schools and health centers, staffing and equipment are supposed to be already committed by the other respective government agencies (this provision was widely ignored). Municipal Funds are not to be spent on projects involving town halls or churches.

¹²After the package of municipal project proposals is turned in to the regional offices of the Social Development Ministry for approval, up to 100 percent of project funds are turned over to the municipal authorities for deposit in a special account. Local Solidarity Committees are to report project progress monthly to the Municipal Solidarity Council, which in turn is to report monthly to the state government.

course, the Social Development Ministry's policy guidelines gave the federal agency the last word in approving even small local projects (SEDESOL 1993b).

Municipal Funds in Oaxaca

In the state of Oaxaca, the distribution of Municipal Funds favored small rural communities during the period studied. The original loan agreement between the World Bank and the Mexican government did not specify that Municipal Funds should be targeted to the poorest communities in each state, though the government's Municipal Funds Manual recommended it. The loan agreement listed several criteria, including implementation capacity, need, and population size, that were not mutually consistent in terms of antipoverty targeting. In practice, this meant that the formula for the distribution of funds among municipalities was left largely to the discretion of each state government. Oaxaca's governor Heladio Ramírez (1986–1992) distributed the funds relatively equally (Mex\$50 million per municipality [almost U.S.\$17,000], plus Mex\$2 million extra per *agencia*, the main unit of submunicipal government).¹³ This formula gave the program an appropriately rural bias in Oaxaca, though the total amount for most municipalities was less than the ceiling established for *any one* project in the national guidelines cited above.¹⁴ Although Oaxaca's intermunicipal allocation criteria were clear cut from a state point of view, the allocation logic was often unclear when seen from the community level. Since municipal populations vary widely within rural areas and the number of *agencias* does not vary proportionately, Municipal Funds investment per capita differed greatly from one municipality to another.

Oaxaca's relatively clear intermunicipal funding criteria contrasted with a lack of consistency and transparency in other states with Municipal Funds supported by the Decentralization and Regional Development project. The state governments of Guerrero and Chiapas, for example, showed a strong preference for large urban pork barrel

¹³In Oaxaca, the Municipal Funds program was preceded by a similar community development effort focused on one of the state's poorest regions, the Mixteca, with support from the International Labour Office and the United Nations Development Program. See Collins's evaluation (1995).

¹⁴More recently, after a new governor took power in 1992, Oaxaca's municipal distribution formula changed, increasing the weight of the "population size" criterion and therefore the fraction assigned to urban areas. Since overall funding did not increase, some rural areas lost out. Federal Social Development Ministry officials involved in the program suggested that this shift was probably electorally motivated, since the urban areas have more voters and are more electorally competitive (interviews, 1994).

rather than rural antipoverty projects. The World Bank's Mexico-based Resident Mission official responsible for tracking the first Decentralization and Regional Development project estimated that he was only able to block 40 percent of the many "white elephant" projects proposed by state and federal officials in the early 1990s (such as a beltway highway for the Chiapas state capital).¹⁵

In Oaxaca, most of the funds reached the local Solidarity Committees directly responsible for carrying out the local projects. The mayor delivered Municipal Funds support directly to the project committees in 82 percent of the cases (in cash or check). This suggested a major shift away from the traditional centralization of local power in the hands of the mayor. Moreover, because of powerful village-level accountability mechanisms, once in local hands the resources were likely to be allocated to public works projects. In only 18 percent of the cases was the project support delivered "in kind," a method in which there is greater likelihood that resources would be lost or that project materials would be inappropriate, of low quality, or delayed (as occurred in San Juan Lajarcia). The question of who handles the funds is not the only relevant indicator of control, however. In terms of who decided where to *purchase* construction materials, in 70 percent of the cases it was the local Solidarity Committee, in 16 percent the mayor, and in 10 percent the state delegate (the regional representative of the governor). Field reports indicated a generalized pattern of the manipulation of materials purchases in only one of the state's eight regions (Sierra Norte), and this pattern ended when the regional delegate became a state congressman in 1992.¹⁶

¹⁵Interviews, 1993. He further reported that in-depth scrutiny of the end use of World Bank project funds was quite unusual. This example of the "micromanaging" needed to block diversions away from antipoverty goals suggests that the basic design of the first Decentralization and Regional Development project lacked strong institutional mechanisms to assure pro-poor targeting.

¹⁶In several of the cases in the Sierra Norte region, state government officials responsible for implementing the program there strongly urged municipalities to purchase their inputs in a specific store in the city of Oaxaca, implying that if they made their purchases elsewhere their receipts would be rejected (threatening future access to the program). Municipal officials reported that the state government delegate at the time was Javier Jiménez Herrera. For example, in Asunción Cacalotepec, "once they gave us the check, one of the engineers who helped the [state] delegate, a certain Engineer Bravo, was commissioned to take us in a delegation truck directly to the store where we were supposed to buy our materials." Once they made their purchases, "the delegate and the subdelegate wanted to compel the communities to transport the materials with the truck of a supposed coffee producers' organization that doesn't exist, called 'Territorio Mixe,' which in reality is a ghost organization run by a close friend of theirs who was helping in the campaign. . . . It turned out that that truck cost more than the private-sector alternative, so he was making money off the communities in the region with the help of the representative of the government." When the municipality chose to use funds left over from a 1990 Municipal Funds road project to build

The funds clearly reached poor rural areas but often had limited antipoverty impact. Low budgets, combined with the fixed annual project cycle, sharply constrained the possible range of project choices. Program guidelines stressed that municipalities could choose from a wide range of possible projects, as long as they fit under the budget ceiling and could be completed within the annual project cycle. As has been noted, however, total municipal grants in Oaxaca were often quite small, and subproject budgets were much smaller still after they were divided among the communities within the municipalities—even if different *agencias* took turns by year. In response to the limited range of project choices that resulted, community leaders often suggested that Municipal Funds be applied to somewhat more ambitious projects that could be carried out in stages over several years, as in the long-standing practice of community self-help public works in Oaxaca. This approach was explicitly prohibited by the program guidelines, however. Moreover, in practice, the project cycle tended to be less than half a year, once red tape, travel time to government offices, and lead time for project design were factored in. Due to these delays, the funds usually arrived in the rainy season, greatly complicating construction efforts. The result of subdivided project funds, combined with nonnegotiable annual project cycles, was a sharp contrast between the ostensibly wide range of possible community choices and the narrow menu of projects that could actually be completed within a few months with a few thousand dollars (even taking into account counterpart contributions from the communities, which were consistently far above the program's minimum of 20 percent).

Project selection did not necessarily prioritize the most pressing basic service needs. A large minority of Municipal Funds projects seemed to have little impact on poverty alleviation. The most clear-cut cases were those projects that either involved "low-impact" public works or were not in operation (this latter problem is addressed below). In 1991, 25.5 percent of Oaxaca project funding went to the category called "urbanization." This category refers to such activities as paving roads in the town center or building park benches (see table 3).¹⁷

Some residents may well have genuinely wanted to use the Municipal Funds to pave their town square or to build a basketball court

latrines, the state government officials accused them of corruption and the municipality did not receive Municipal Funds support in 1992.

¹⁷It should be noted that the funds spent on "urbanization" projects in Oaxaca fell to 17.3 percent of funds in 1992. The resources allocated to school rehabilitation and clinics were low in part because other Solidarity programs made funds available for those purposes (funded in the same poor states by large World Bank loans for basic education and health services).

TABLE 3
MUNICIPAL FUND ALLOCATION BY PROJECT CATEGORY, 1991

Project Categories	Four States: Oaxaca, Chiapas, Guerrero, Hidalgo (%/allocation)	Oaxaca (%/allocation)
<i>Productive infrastructure</i>	3.58	5.20
<i>Support infrastructure</i>	18.62	18.00
Rural roads	11.90	9.19
Electrification	3.51	1.89
Crop storage & marketing	3.21	6.91
<i>Social infrastructure</i>	77.89	76.80
Drinking water	17.62	18.46
Sewerage	5.73	3.20
Education	20.99	21.15
Culture and sports	7.34	6.20
Health	0.60	0.15
Urbanization	25.52	27.64

Source: World Bank, Decentralization and Regional Development project implementation data, unpublished, 1993.

rather than to install or extend a drinking water system. Basketball courts do have multiple purposes, providing a surface to dry coffee and a civic space to hold public and social events in addition to sports. A priori, one cannot be sure what the majority choice might be; the vastly different budget and technical requirements involved were important factors in community decision making. Drinking water systems tend to be much more expensive than park benches and certainly require much more technical assistance. The standard prototypes for "urbanization-related" designs and budgets, for example, are already in the desks of state government officials, whereas each community drinking water system must necessarily be custom designed in order to reach the maximum number of families with sustainable water delivery, given limited funds. In contrast to the handy basketball court blueprint and budget, water systems require a significant investment of a technician's time and creativity.

In the statewide sample of municipalities, more than two-thirds of Municipal Funds projects visited were found to be in operation, in-

cluding projects from the three years of the program. Eighty-one percent were found to be finished, and 70.4 percent were functioning.¹⁸ A handful were operating even though not finished, such as roads. Local authorities often blamed substandard technical assistance for problem projects. Other projects were seemingly "finished" but not in operation because they lacked key complementary components (as in the corn mills locked up for lack of local access to electricity in an outlying Miahuatlán village). It was not unusual to find schoolhouses and clinics not in operation, often because they lacked authorized staff (contrary to the program norms, which specify that staff should be assigned to justify the building). Some of these investments could eventually become useful, since, for example, having a schoolhouse could increase a community's bargaining power to request the assignment of a teacher.

Submunicipal Governance

The formula for distributing funds between the town centers and the outlying settlements appeared to have been widely respected in Oaxaca. Complaints from mayors that the cap for town centers was imposed from Oaxaca City suggested that they were having to respect the cap. Indeed, the cap on the share of Municipal Funds that could be spent in town centers played a crucial role in targeting the poorest areas. Channeling funds to central municipal governments alone would not guarantee that the funds would reach those outside the town center. In many small towns, the mayor is elected only by the residents of the town center, though those who live in outlying *agencias* often choose their own local leaders. This pattern appears to be widespread, though its extent has not been documented with any precision.

One of the biggest challenges local governments faced was how to allocate relatively small amounts of resources as broadly as possible within their territories. Municipalities found a variety of mechanisms through which to divide project funds between localities. Municipalities with large numbers of *agencias* faced special challenges in finding formulas through which to distribute Municipal Funds. Equal annual grants for each *agencia* would often be too small to carry out even the most modest project. In response, municipal authorities often encour-

¹⁸These averages should be taken as quite soft, because the first-phase sample overrepresents the share of projects in town centers. It should be noted that those researchers who were able to visit more projects in outlying *agencias* (Coast, Sierra Norte) consistently found much higher rates of noncompletion. Notably, drinking water projects were among the most likely not to be in operation. The second phase of the research generated a more reliable set of data on project impact.

aged localities to take turns by year. This frequently required some convincing, since at first not all believed that the program would continue. Sometimes *agencias* rejected the offer of very small project grants, since the counterpart community funding required for any project considered worthwhile was perceived as a major burden. "Participatory" development programs often do not recognize that the perceived opportunity cost of labor is more than zero, even in the poorest communities, not to mention the beneficiaries' contribution of materials and/or cash. This problem had a positive side, since it facilitated the bunching up of funds as different villages took turns (as occurred in Ejutla, Tanetze de Zaragoza, San Juan Cacahuatpec). In addition, some local authorities complained that the distribution among rural municipalities was not equitable, suggesting that municipalities with many *agencias* should receive proportionately much more than smaller municipalities. On balance, however, the Municipal Funds program did tend to empower local *agencias* by giving them a sense of entitlement to public development funds for the first time. If higher level authorities then denied them access, the resulting protest could be quite intense. Note the case of Ixtlán, for example, where *agencias* protested their exclusion from Municipal Funds decision making by temporarily taking the governor hostage on one of his visits to the region (see appendix 2).

Officially the municipality is the lowest level of government in Mexico, so the *agencia's* powers are not formalized. Most importantly, in terms of their capacity to represent the interests of outlying villages to the municipal center, municipal *agencia* leaders are chosen through a wide range of mechanisms. In most of Mexico, submunicipal leaders are selected by the mayor, "from above," and therefore do not necessarily represent their constituents at all, especially since mayors usually come from the municipal center (*cabecera*). As one might expect, this leads to frequent "micro-political" conflicts over local autonomy. Where these local leaders are chosen by the residents of the locality, as in most of Oaxaca, this is done through community assemblies, though some are selected through the ballot box. The names used to describe the principal submunicipal jurisdictions vary greatly; in other states they are called "*delegaciones*" or "*comisarias*." Some municipalities have even smaller subdivisions, such as "*agencias de policía*" or "*rancherías*."

Each state has its own legislation regulating submunicipal governance structures. According to a national compilation of these laws, seven states allow local communities to choose their own submunicipal leaders, fourteen allow mayors to designate them, and eight have mixed systems, with some layers of representatives chosen by mayors and others chosen from below (see appendix 3). Without independent field-based research, it is not possible to determine to what degree

such laws are respected consistently. Movements for the democratization of submunicipal governments have been reported with increasing frequency. Perhaps the most extreme cases have unfolded in Tlacoachistlahuaca and Cutzamala, Guerrero, where movements for submunicipal democratization have met with intense repression by local bosses.¹⁹

One of the most unusual dimensions of local governance in Oaxaca is the persistence of long-standing non-Western systems of choosing local authorities. More than 400 of Oaxaca's 570 municipalities are organized along non-Western ethnic lines, with councils of elders and community assemblies rather than ballots and political parties (Ornelas López 1989). For example, Domínguez presents a clear self-description of the Mixe people's system of "communal power," which is based on: "the land, the language, the assembly, the *cargo* [rotating authority system], the *tequio* [community self-help], and the festival. . . . The highest authority is the communal assembly" (1988: 28). Some municipalities are in transition, with electoral party politics in the town centers and community assemblies in the outlying areas, as in Tlacolula (appendix 2; Díaz Montes 1992). In 1995, the Oaxaca state government revised its electoral legislation to legally ratify this dual system of local governance. This law allowed 405 municipalities to choose their leaders through "*usos y costumbres*," a catchall phrase that refers to the diverse variety of nonpartisan community-based systems. The other 165 municipalities held elections according to the "party system," with conventional balloting.²⁰ Conflicts over electoral process are not unusual in Oaxaca, but by 1995 one of their key axes was the issue of which political system to use—especially for those municipalities in gradual transition between the two systems.

¹⁹In Tlacoachistlahuaca, nine indigenous activists were murdered in the course of six months of campaigning for two initial demands: a regional development plan and the right to elect their *comisarios municipales* (Gutiérrez 1995). In Cutzamala, the local boss's loss of a *comisario* election triggered a wave of political murders (*La Jornada*, July 7, 1995). In contrast, in parts of Guerrero's Montaña and Costa Chica regions, where autonomous social organizations are relatively strong, the *comisarios* seem more representative of their communities, forming their own locally autonomous police force to replace the militarized state police (García 1995).

²⁰It should be noted that the long-standing practice of listing most Oaxaca mayors chosen by *usos y costumbres* as ruling party victories is increasingly questioned by local civic movements. For example, the regional Comité de Pueblos Chatinos recently criticized the ruling party for "taking the names of our authorities, elected in assembly, and registering them as their list" (*La Jornada*, June 16, 1995).

3

Municipal Solidarity Funds: Process

In practice, the Social Development Ministry's official program structure, composed of new Municipal Solidarity Councils and local Solidarity Committees, was largely folded into existing organs of local government. Ostensibly each community assembly chose their project proposals and a local Solidarity Committee was formed to carry out the project. However, most rural Oaxaca communities already had active local public works committees, as part of their ethnically based system of rotating community responsibilities. In most of rural Oaxaca, these positions are chosen through community consensus and are unpaid, full-time responsibilities. Most of their funding comes either from local contributions or from migrant remittances. In the smaller villages, most Municipal Funds projects seemed to be taken on by these preexisting committees led by municipal authorities, such as the town council or the local *agente municipal*. As one municipal official put it:

Listen, here in our community we have the custom of doing it this way: we all have the commitment to give services to the community, and for free. When the assembly names us, we are obliged to comply with the responsibility [*cargo*], and we must sacrifice our own small personal jobs during the year and a half that the community commissions us for [note: the period of service varies by community]. This means that we each have our responsibility, just as each other citizen has. . . .

That's why if we wanted to name an additional committee to deal with a project, no one would accept. Everyone already has had their task, whether it's in the municipality, the agrarian authorities, the church, the school, the village fiesta, or it'll be their turn in the future. So if there are any tasks to deal with during our turn as municipal authorities,

it's our job. That's why they named us. That's our custom. The government has its way of doing things, but here we do things our own way, as we always have, and it's not going to change now because some new government program asks for it. That program will end sooner or later, and some other one will come along and will ask for something different. But here, we aren't going to change our form of work (interview in the community of Santiago Comaltepec).

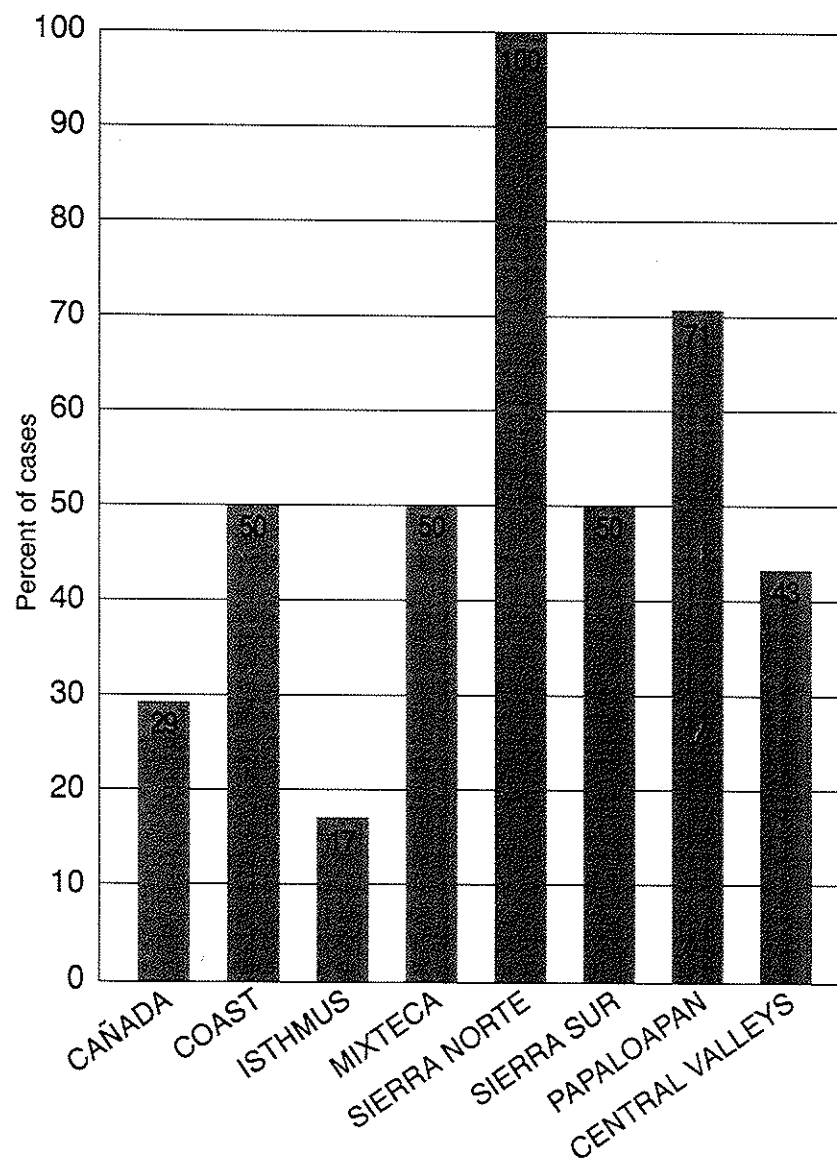
In the overall sample, 64 percent of the presidents of the local Solidarity Committees were also municipal authorities, which usually meant that the *agentes municipales* presided over the respective local Solidarity Committees. The local Solidarity Committee was named by assembly in 60 percent of the municipalities. The committees were chosen by the mayor in 28 percent and by "others" in 12 percent of the cases.

The local committees were reported to have actually "made project decisions" in 62 percent of the cases. This result is quite ambiguous, however, because there was great variation in how this question was understood by local respondents. For example, local Solidarity Committees could have provided the labor, or even handled the funds, without necessarily having made any significant decisions about the nature of the project. For example, according to a municipal official in La Compañía,

[T]he committee only played the role of calling the folks so they would go to work on the project. When the project involved some kind of materials, like with the transformer over there, we dealt directly with the contractor. . . . Then the committee didn't have any influence. . . . It would tell each member of the committee the days they had to supervise the project, and they would let me know how many worked [*cumplieron*, complied with their obligation], how many didn't come, and they would have to be called for another day.

One of the most important of the new decision-making bodies promoted by the Municipal Funds program, the Municipal Solidarity Councils (see figure 1), rarely functioned in practice. These bodies, which were to include the town council (*cabildo*) and the heads of local Solidarity Committees, met in only 54 percent of the municipalities sampled. They were much more likely to have met in the larger municipalities (nine of the eleven larger municipalities, versus ten of twenty-three small municipalities). In the more urban areas of the medium-sized and larger towns, the local Solidarity Committees tended to be organized as block committees (as in Juchitán and

Figure 1. Rates of Municipal Solidarity Council Formation by Region in Oaxaca



Nochixtlán). In Miahuatlán, a large municipality, the Municipal Solidarity Council was surpassed by an even more decentralized structure that had emerged prior to the Municipal Funds program. Successive cycles of citizens' mobilization to democratize local government had created a council of local *agentes municipales*, a de facto, territorially decentralized municipal legislature that acted as a counterweight to the mayor's office.

Community assemblies made the primary Municipal Funds project decisions in a slight majority of cases. Because several actors could have influenced project choices, the survey asked which actors played "primary" or "secondary" roles. The potential decision makers included the community assembly, the project committee, the mayor, a state government representative, or others. The local Solidarity Committee played the primary role most often (38 percent), and the broader community assembly decided in 20 percent of the cases. Together, then, *participatory community bodies made the key project choices in 58 percent of the cases.*

In practice, the division of labor between municipal authorities, community assemblies, and local Solidarity Committees varied greatly. The mayor of Magdalena Apasco offered an illustrative example of the division of labor between these three bodies:

The municipal authorities, the *cabildo*, met and listed our needs. We had an assembly and said, "we have so much money for community projects," and among those needs, I said, "there's paving the street, there's basketball courts, and there's the health center." I proposed about three. So I said, "it's up to you," and the discussion began. People proposed some other things. Somebody proposed fixing up the church, but I said, "no, no, that's not allowed by the program." So we had to choose among the three projects, and that's when we had a vote, by a show of hands for each one. We chose one, and at the end of the assembly we wrote up the *acta* and everyone signed, to make sure that the project would be carried out. So nothing could sidestep what the assembly decided. With the *acta*, we then began the work plans and the technician would come to do his study, and the assembly named the committee. . . . Here the community decides; we do the project we say we'll do.

In terms of who was able to participate, there has to be a quorum within a voting-age population of about 400. This assembly's *acta* had about 240 signatures. The project's local Solidarity Committee was quite active:

We always met with the mayor to decide the things we were going to do, when we were going to do them, how to

do the project, if we were going to make any changes. We met about two or three times a week with the mayor, and on our own we each went to see the project once or twice per week. Just about every other day we were at the project.

This example illustrates that the boundaries between decisions made by community assemblies and decisions made by municipal authorities are quite ambiguous.

The mayor played the main role in choosing projects in 26 percent of the cases, with the state government's delegate deciding in 16 percent of cases. The implication of this large role for mayors in community involvement is uncertain, since it combines those mayors who are close to their communities and their needs, with less responsive or accountable mayors. There seemed to be an association between municipalities where the mayor centralized power and the selection of largely cosmetic projects intended to improve the town center's "image" (as in San Pedro y San Pablo Ayutla and Santa Cruz Tacache de Mina, for example). Even though Santa Cruz lacked drinking water systems, the mayor said: "people were pleased with the street paving because it gives the town a different image. Both the teachers and folks who aren't from here like it, and folks from here say they wish we could do more."

When one factors in the "secondary" decision-making roles played by the same array of actors in the project selection process, the role of state government officials increases significantly. In another 22 percent of the cases, the delegate or the governor influenced the project choice. This means that *state government officials significantly influenced project choices in at least 38 percent of the municipalities.* Because communities were largely dependent on state government officials for information about the program options and procedures, for technical assistance (if any), and for acceptance of expense receipts, these higher level officials could exercise de facto veto power over community project choices (for examples, see San Juan Guichicovi, San Pedro Pochutla, San Pablo Huixtepec, and Ixtlán de Juárez in appendix 2). At the symbolic level, it is also notable that Municipal Funds checks were delivered by the governor himself to the mayors in 86 percent of the municipalities surveyed.

State government officials often encouraged communities to choose less ambitious projects. The following scenario was quite common: State government officials convened community assemblies to define local public works priorities. These officials would respond to the prioritized list by indicating which projects were too expensive, which would take more than the time available, and which were acceptable. As one municipal official put it:

The truth is that, even though we are very clear about what our most pressing needs are and what projects we'd like to carry out, we always have to adapt our proposal to the government's conditions and the small amount of money they give us. For example, the program rules do not accept partial projects, which means that we can't do a project in stages. So we have to do little tiny projects, which even though the community doesn't really need them, we can finish in the same year, since they want the final paper-work delivered. In the end we go on without resolving our larger problems and we end up just the same as when we started (San Pedro y San Pablo Ayutla).

Another common refrain from municipal officials was: "The budgets come already decided in Oaxaca [City]. They don't even take us into account, nor do they consider the real costs of building the project we propose. It's we who have to adjust our proposal to the money they give us" (San Pablo Macuiltianguis; also see Tanetze in appendix 2).¹

Ostensibly the Municipal Funds program guidelines permitted productive projects, but these guidelines were rarely known to community leaders.² Because these same state government officials were those responsible for providing technical assistance for design and budget planning, they had little incentive to encourage communities to choose projects that would have required significant technical assistance, creative budgeting, and significant amounts of time spent in remote villages. The tendency was for these officials, often engineers and architects operating out of the state government's regional office (Delegation), to encourage communities to choose projects for which they had standardized formulas. The overwhelming response from local officials was that they had almost no contact with federal officials, and their only contact with the state officials dealt with project decision making and funding disbursement.

Because of the diverse ways in which respondents could have understood the distinction between primary and secondary influence over project selection, it would be inappropriate to assume that there is a clear distinction between the two. It should also be recalled that this potential veto power, whether subtle or overt, is built into the

¹ It should also be noted that many of Oaxaca's mayors and municipal *agentes* lack literacy skills and/or fluency in Spanish, which greatly limits their bargaining power with the state government officials who are their main points of contact with the Municipal Funds program.

² In Villa Sola de Vega, for example, state and town center officials limited the project menu to four options (see appendix 2). One notable exception was the successful experience with productive investment projects in San Juan de los Cues (see appendix 2).

official program procedures themselves. Officially, higher levels of government must approve local choices. The distinction between appropriate governmental influence based on the officially specified technical and financial criteria and other factors, including inducing "easy" but low development impact project choices because of state officials' lack of accountability, turns out to be highly ambiguous.

Technical assistance was either unavailable to most small, rural municipalities or was of poor quality. The research protocol was not originally designed to capture quantifiable data on this, but it turned out to be one of the study's most notable findings. Local authorities consistently reported that they lacked access to adequate technical assistance to carry out all but the simplest, low-impact projects. For example, as one municipal official observed:

We would have liked to use metal pipe in our [water] project, but there wasn't enough money and we had to buy plastic. But plastic doesn't work for this kind of project; it breaks right away under high water pressure, while the metal pipe can handle it. But we had to accept the project as it came, since they didn't give us any more money. We have to do poor-quality projects, and there was no other way. . . . The technicians know that the project they're advising isn't going to work, but there's no more money to do something better (Santiago Zacatepec).

In another case the state technicians' project design required water to flow uphill, so it was never built. The materials purchased remained in storage (see San Juan Guichicovi, appendix 2).

Little technical assistance came from the federal government, in spite of the nominal existence of Social Development Ministry outreach offices. In 1994, SEDESOL officials at the Oaxaca state level explained that the federal funds budgeted for the outreach office were held up for many months, during which time most of their technical outreach staff resigned. The implication was that technical outreach to support Municipal Funds projects was not a priority for SEDESOL at the national level. State-level SEDESOL officials also attributed the high attrition rate among outreach staff to what they (revealingly) called the "hostile environment" in which they had to work (referring to life and travel in the indigenous countryside). Few were drawn from Mexico's extensive ranks of experienced rural development promoters, so they were unused to working in remote, indigenous-majority areas. Both Municipal Funds managers and outreach staff seemed to lack the *esprit de corps* and commitment to overtime-intensive rural outreach associated with the best of Mexico's past ru-

ral development reform efforts, such as PIDER and CONASUPO-COPLAMAR.³

Social and civic organizations rarely participated as organizations in the formal Municipal Funds decision-making process. In contrast to one of our initial hypotheses, the presence of strong grassroots organizations, especially producer groups, had little impact on the project decision-making process, playing a role in only 8 percent of the cases reported. Nor did they appear in the qualitative accounts of municipalities where grassroots groups are known to be active. This absence was not only the result of a failure to disseminate the fact that productive projects could be included in the project menu; it was also due to the widely held traditional conception of the division of labor between the duties of local government and the role of producer and other social organizations. Local government is widely seen to be responsible for service provision, while producer groups are expected to focus on economic activities. In municipalities where social organizations were strong, however, their members consistently participated actively in Municipal Funds projects as individual citizens. In fact, where social organizations were strong, they seemed to provide much larger contributions to the community service provision than the Municipal Funds did, as in the case of a Sierra de Juárez community-based forestry organization: "There is a total imbalance between the Municipal Solidarity Funds, which are very minimal compared to what the community has invested in projects with our own Forestry Enterprise resources" (interview, Santiago Comaltepec; see also Tanetze, Teotongo, and San Juan de los Cues in appendix 2).⁴

Municipalities with unresolved electoral conflicts experienced less community participation in municipal development projects. While independent civic movements are often seen as key forces for encouraging accountable local government, the conflicts provoked by democratization efforts undermined participation in projects perceived as linked to local authorities whose legitimacy was under attack. For example, challenges to the legitimacy of local electoral outcomes frequently remain unresolved for many years, sometimes leading to

³Many community development veterans of the rural reform efforts of the 1970s and early 1980s shifted over to Mexico's growing nongovernmental organizations (NGOs) by the late 1980s (Fox and Hernández 1992). They remained an untapped resource for the Municipal Funds program, however, because the Social Development Ministry generally prevented the Decentralization and Regional Development project from working with nongovernmental development organizations. In the 1989-90 design phase of the first Decentralization and Regional Development loan, a few reform-minded World Bank staff attempted to create a project window that would be open to NGOs, but this proposal was vetoed by the Mexican government.

⁴On community forestry organizations in this region, see Bray 1991. For a partial overview of Oaxaca's community-based economic organizations more generally, see Fox 1994c.

parallel municipal authorities that attempt to govern simultaneously. In Tlacolula and San Pedro Huilotepec, for example, intense local political polarization led most citizens to steer clear of municipal projects. In Tlacolula, Municipal Funds were clearly targeted to ruling party clients in the conflictive town center, while the program was community controlled in the municipality's outlying *agencias*.

A different pattern was found in those municipalities that had already gone through such extensive processes of civic protest and democratization, leading to consolidated competitive party systems that allowed opposition victories to stand. Little partisan political bias was found in the distribution of Municipal Funds to opposition-controlled municipalities. The study sample included several well-known municipalities governed by the opposition. Most notably, in the two largest cases, Juchitán (COCEI-PRD) and Huajuapán de León (PAN), the program worked smoothly.⁵ Both towns are relatively large, and Municipal Funds were therefore a very small fraction of their respective total budgets in general, and of their overall Solidarity funding in particular.

No direct relationship was found between opposition government and level of community participation. For example, levels of community participation were rather low in Huajuapán (PAN) and San Pedro Pochutla (PARM). In Huajuapán the mayor chose the projects and which streets to pave, and residents tended to contribute money rather than labor. Community participation was particularly high in Juchitán, where the governing regional sociopolitical organization has long encouraged block organization. Its municipal government was also one of the few with its own autonomous technical team, and it provided technical assistance to neighboring municipalities. Similar results were found in a study of larger opposition-governed municipalities in other states. Municipal Funds were found to strengthen local government, in contrast to other Solidarity programs, which were seen as bypassing and undermining local opposition authorities (Acedo Angulo 1995: 123).

Even at the level of submunicipal party differences, such as among opposition-controlled *agencias* where the ruling party controls the municipal government, the evidence indicated a pattern of relatively pluralist distribution. In ruling party-controlled San Juan Guichicovi, opposition-controlled outlying *agencias* were funded in spite of intense local political polarization, at least during the period studied (see appendix 2). In opposition-controlled Villa Sola de Vega, ruling party sympathizers claimed that they had been discriminated against politically, but the mayor followed program norms and their com-

⁵For further discussion of Solidarity and the electoral opposition in Oaxaca, see Fox and Moguel 1995; Bailón 1995.

munities received funds (see appendix 2). One case with credible reports of political discrimination was San Felipe Jalapa de Díaz, where the state government reportedly held on to the checks for the *agencias'* projects until a municipal electoral struggle was resolved, but then failed to deliver the checks when the opposition won. Another case was in Tlacolula, where a local electoral stalemate led to a "dual power" situation of parallel municipal authorities; the state government financed the ruling party's candidate, who channeled the funds to clients (see appendix 2). Overall, the Municipal Funds program worked well where democratic party competition was well consolidated (usually after many years of conflict), but it worked less well where civic movements had still not produced a stable local-level democratic system.

4

Municipal Funds Project Impact

The second phase of the study focused primarily on project impact. This phase shifted levels of analysis from a focus on general patterns about program operations in municipalities to an even more localized focus on specific "micro" project outcomes, especially those outside of municipal centers. Field researchers returned to twelve municipalities drawn from the statewide sample, keeping as much of the first sample's regional, ethnic, and political diversity as possible. Field observation produced a data base with information on 145 projects, 76 percent of which were in areas outside of the municipal centers (much higher than in the representative statewide sample). Though diverse in size, from a national point of view most would be considered predominantly rural municipalities.¹

Positive social impact was found in 56 percent of the projects observed. The first indicator of project impact is whether or not the project is actually completed and/or in operation. The second indicator is whether or not the field researchers considered the project to have significant, low, or no positive social impact, based on the opinions of local residents and leaders, together with direct field observation. Because of the very diverse mix of project types, no single quantifiable

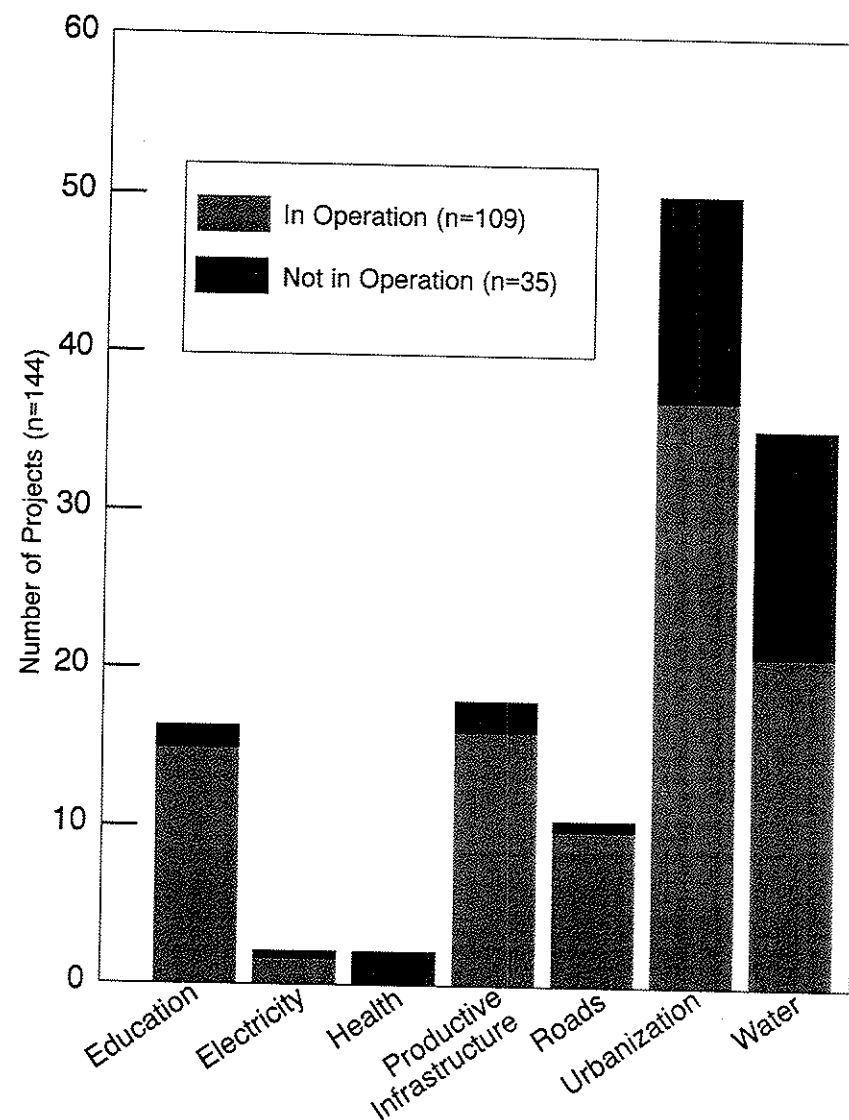
¹In terms of the size of municipalities where the projects were studied, 46 percent were in large municipalities (above 10,000 inhabitants), 22 percent were in medium-sized municipalities (between 5,000 and 10,000), and 32 percent were in small municipalities (fewer than 5,000). Note also that these population size criteria are different from those used in the statewide sample, where the size criteria were relative within each region to ensure intraregional diversity. Since this second sample is statewide, the size criteria were standardized. This sample includes a diverse mix of project types and regions, though the regional distribution is not as balanced as the first sample. The projects studied were mostly in the state's poorest municipalities; three-quarters were in municipalities where more than 80 percent of the population falls below the official poverty line.

indicator of impact can be used. The vast majority of projects were found to be finished (86 percent), with 75 percent in operation. However, the largest number of projects not working involved drinking water (14 of 20 water projects were not in operation) (figure 2).² In terms of observed impact, 81 of the 145 projects (56 percent) were considered significantly positive. The rest were considered either low impact (27 percent) or with no positive impact at all (17 percent) (figure 3).

The more remote, outlying communities had fewer significant projects and more project failures than the municipal centers.³ Non-operational projects were disproportionately found in the outlying areas, compared with those in the municipal centers (figure 4). In terms of observed impact, three-quarters of projects in town centers were successful (74 percent), in contrast to a 50 percent success rate in outlying areas (figure 5). There was a strong correlation between project impact and location, with less than 3 percent margin of error (table 4). In contrast to these clear differences within municipalities, overall size of municipal population was not correlated with project impact (figure 6).

The more indigenous communities also had fewer significant projects and more project failures than the nonindigenous communities. Two distinct but complementary indicators were used to identify ethnicity. One was each community's predominant ethnic identity as explained by the local population (self-identification). For statistical purposes this indicator was turned into a dichotomous variable (indigenous versus nonindigenous). The second indicator of ethnicity was continuous rather than dichotomous, using the census data on the percentage of indigenous-language speakers in each municipality. The basic patterns were similar for both indicators. Projects not in operation were disproportionately found more in (self-identified) indigenous than in mestizo communities.⁴ Looking at observed project impact in terms of municipal social indicators, the projects with little or no impact tended to be located in communities with higher percentages of indigenous-language speakers and illiterates. In terms of the self-identified community indicator of ethnicity, over 70 percent

Figure 2. Categories of Operating Projects

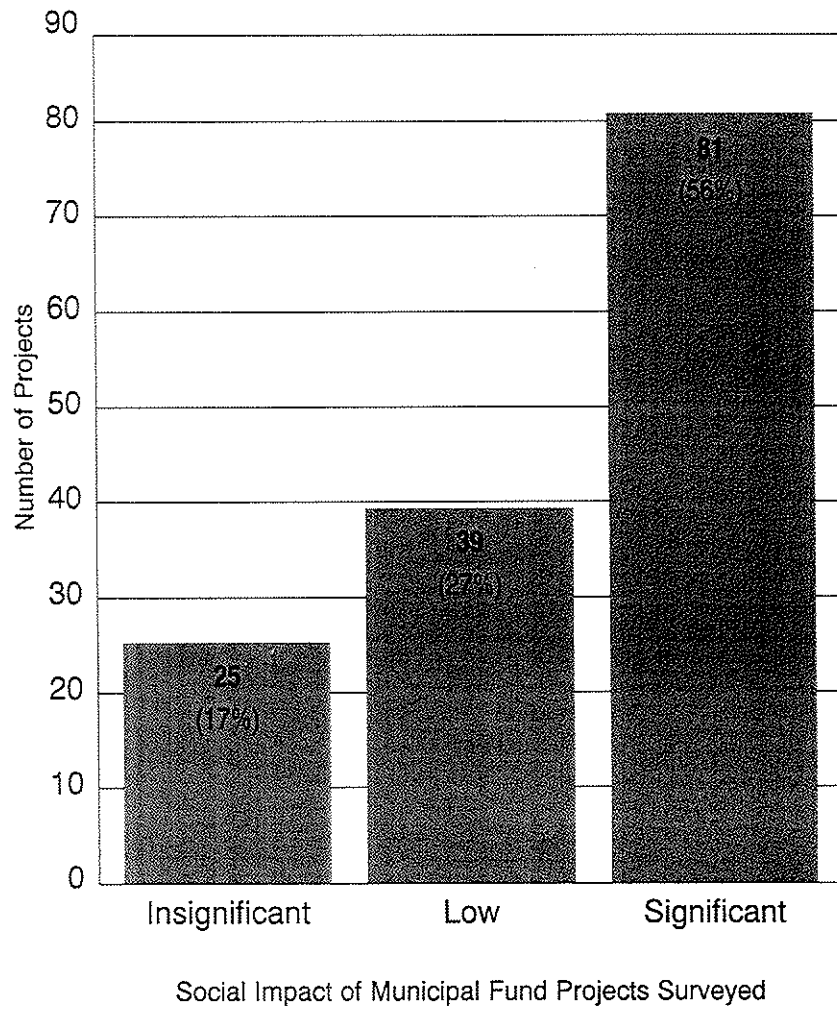


² An unrelated evaluation commissioned by the Inter-American Development Bank found similarly systematic problems with Municipal Funds-supported water systems in other states (MacDonald and Sollis 1994).

³ Correlations were measured using the chi-square, which tests the hypothesis that the variables are independent. Results are considered statistically significant with a less than 5 percent margin of error. Because of the size of the data set, the results are much less reliable when more than two dichotomous variables are correlated. A much larger data set would be necessary to use more sophisticated multivariate tests.

⁴ The sample would have to be much larger to confirm the statistical significance of these trends, but they point in the same direction as the other indicators.

Figure 3.
Distribution of Projects
According to Social Impact



**Figure 4. Projects in Operation
in Municipal Centers and *Agencias***

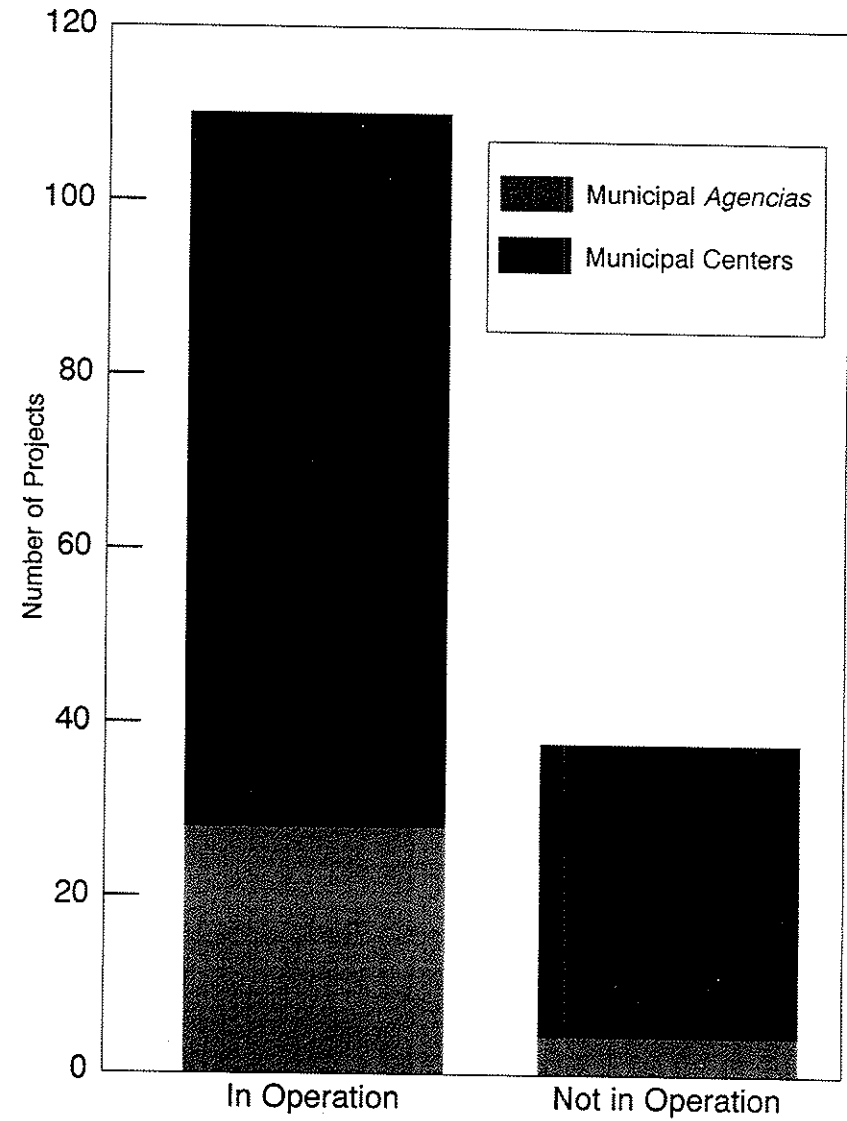


Figure 5. Project Impact
According to Location in Municipality

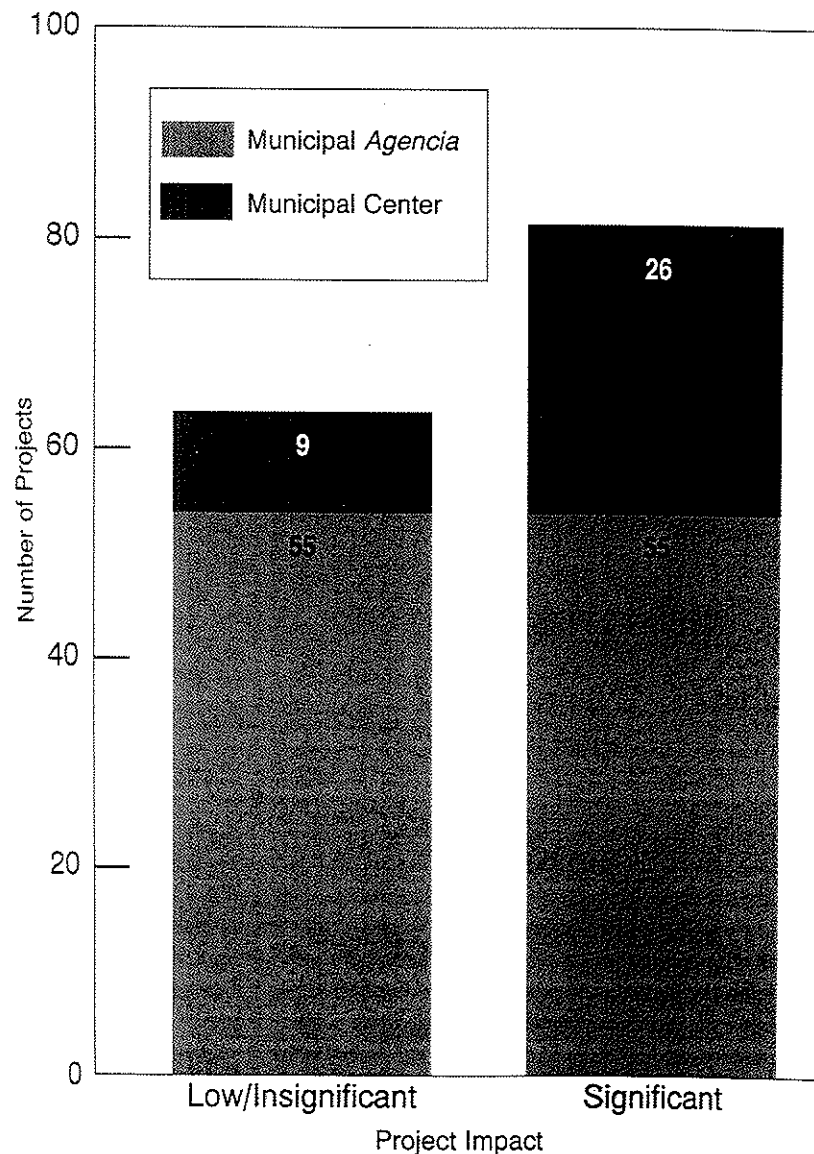


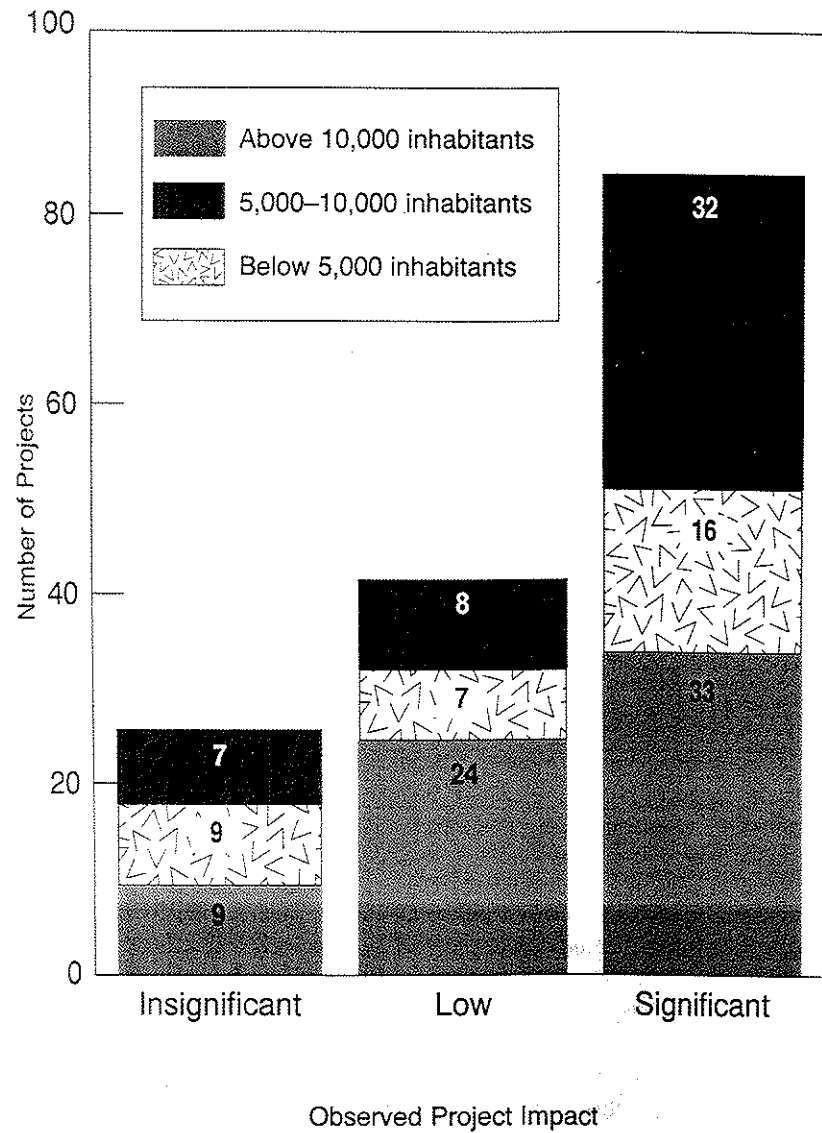
TABLE 4
CORRELATION OF PROJECT IMPACT AND LOCATION
WITHIN MUNICIPALITY

Project Location	Significant Impact n = 81 55.9% of projects	Low & Zero Impact (combined) n = 64 44.1% of projects
<i>Municipal center</i> n = 35 24.1% of project locations	n = 26 32.1% of significant impact projects	n = 9 14.1% of low / zero impact projects
<i>Outlying settlement</i> n = 110 75.9% of project locations	n = 55 67.9% of significant impact projects	n = 55 85.9% of low / zero impact projects

Note: Chi-square significance: Pearson, .01173; continuity correction, .02008; likelihood ratio, .01009.

Focusing on the issue of community decision making, the second phase of the study found that *community assemblies made the project selection decisions in almost two-thirds of the cases* (63 percent of projects observed were chosen by community assemblies). Another 11 percent were chosen by assemblies together with municipal councils. Municipal Solidarity Councils alone chose 9 percent. Mayors chose 9 percent. Subgroups within the community chose 3 percent, and external actors chose 6 percent (figure 8). At the two extremes of significant versus insignificant projects, community assembly decision making produced disproportionately better projects, while project selection by mayors and external actors tended to produce insignificant projects. Even if we combine the categories of low and insignificant impact, because of the overall sample size there are too few cases in some

**Figure 6. Observed Project Impact
According to Size of Municipality**



**Figure 7.
Project Impact and Ethnic Identity**

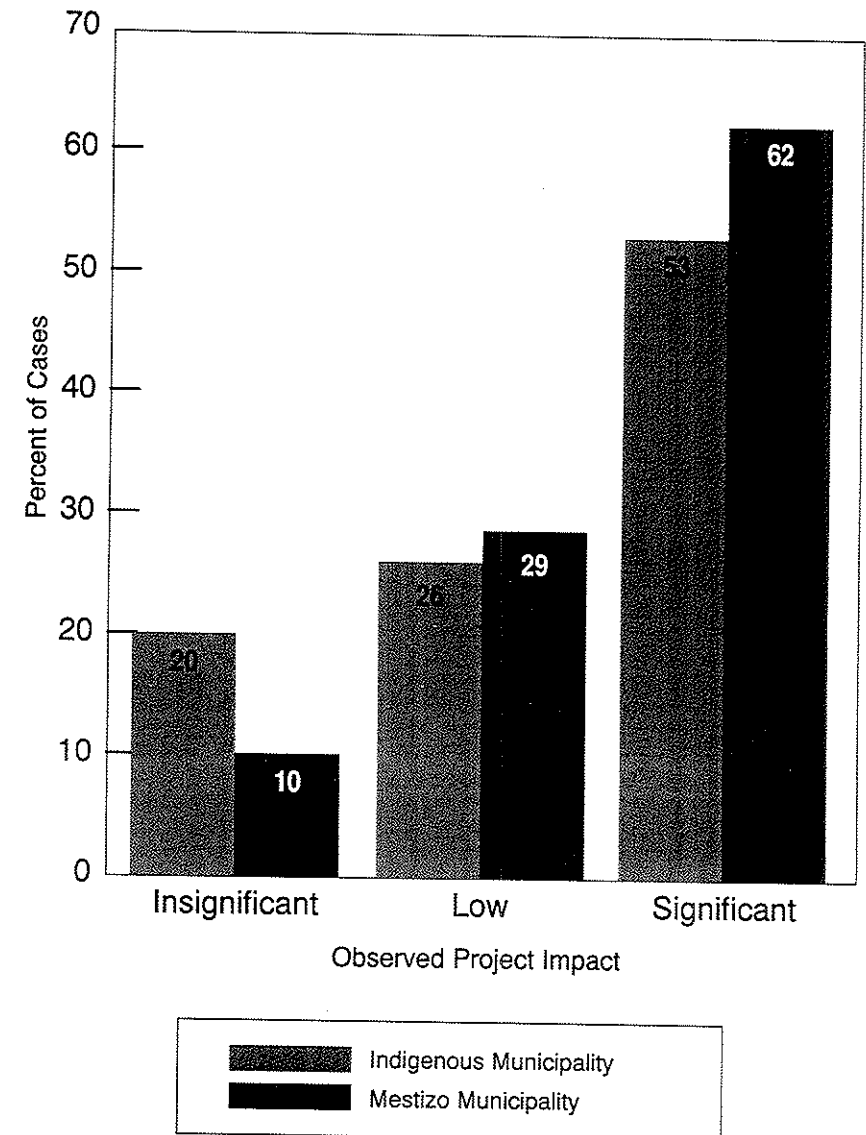
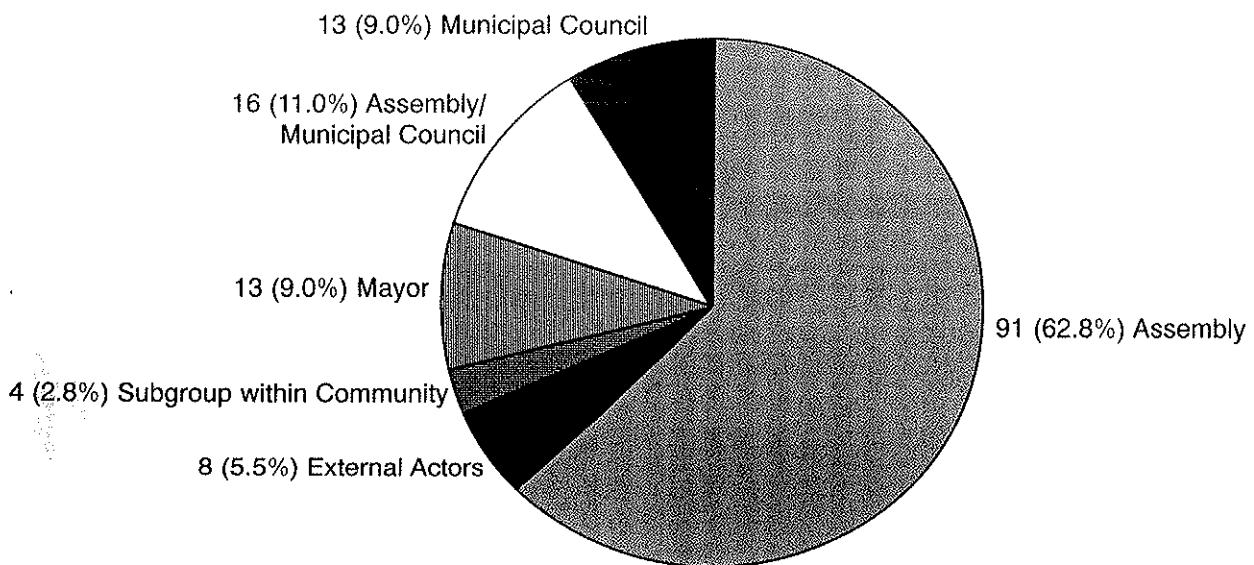


Figure 8.
Key Project-Selection Decision Makers



of the table cells to consider the correlations statistically reliable (table 5).

The second phase confirmed the earlier finding that the program tended to be turned over to local government authorities. Local government officials played key roles in most project committees, but their involvement was negatively correlated with project impact. Municipal officials (usually the *agentes*) led project committees in 54 percent of the cases, and they were committee members in another 8 percent. This means that only 39 percent of project committees emerged outside of the existing municipal governance structure. This result confirms the general pattern that local Solidarity Committees were often folded into existing municipal authority structures. The participation of local authorities in the project committees was not correlated with project success, however. Most projects carried out by committees composed entirely of local citizens were successful (70 percent), while just under half (47 percent) of the projects carried out by committees with local officials had significant impact.⁵ Looking at the relationship another way, almost three-quarters of the projects with low or insignificant impact were managed by committees with local government participation—a statistically significant correlation. This correlation does not necessarily imply any causal relationship, however. The problem may not be so much the role of local officials per se as these communities' other characteristics, such as greater poverty, remoteness, and a corresponding lack of access to technical assistance from state authorities. The sample size was too small to pursue this with more sophisticated statistical tests.

Municipalities with competitive political party systems were correlated with significant project impact. As background information on how these municipal governance systems worked, in the majority of cases studied (52 percent), local authorities were officially chosen by "*usos y costumbres*" rather than through elections. This issue was also examined by asking whether local authorities were chosen by assembly or through political party competition. Asking the question differently produced a different result: only 14 percent of the localities chose their authorities through party competition, implying that the community assembly method includes both open voting and the customary rotating community responsibility systems. The vast majority of municipalities governed by political parties were found to have successful projects: 85 percent compared to 56 percent overall. One possible explanation is that municipalities governed by political

⁵To produce statistically significant results, two categories were collapsed. On the participation side, local authority involvement in project committees combined their roles as presidents or members. On the project impact side, low and insignificant impact categories were combined.

TABLE 5
CORRELATION OF PROJECT SELECTION PROCESS
AND SOCIAL IMPACT

	Significant Impact n = 81	Low & Zero Impact (combined) n = 64
Key Project Decision Makers	55.9% of projects	44.1% of projects
<i>Community assembly</i> n = 91 62.8% of projects	n = 56 69.1% of significant impact projects	n = 35 54.7% of low / zero impact projects
<i>Community assembly & municipal leaders</i> n = 16 11% of projects	n = 7 8.6% of significant impact projects	n = 9 14.1% of low / zero impact projects
<i>Subgroup within community</i> n = 4 2.8% of projects	n = 4 2.8% of significant impact projects	n = 0 0% of low / zero impact projects
<i>Municipal leaders</i> n = 13 9.0% of projects	n = 9 11.1% of significant impact projects	n = 4 6.3% of low / zero impact projects
<i>Mayor</i> n = 13 9.0% of projects	n = 4 4.9% of significant impact projects	n = 9 14.1% of low / zero impact projects
<i>External actors</i> n = 8 5.5% of projects	n = 1 1.2% of significant impact projects	n = 7 10.9% of low / zero impact projects

parties, whether official or opposition, are more likely to have clout with state authorities. They therefore would have more access to both technical assistance and supplemental state government funds.⁶

⁶Many Municipal Funds projects were only completed thanks to extra project funds from the state government. Distribution of such supplemental funds was completely discretionary and dependent on local-state political bargaining. Comprehensive data were unavailable.

Note: Chi-square significance: Pearson, .00787; likelihood ratio, .00335.

5

Conclusions

The Municipal Solidarity Funds program is seen positively by the vast majority of municipal leaders and project participants. For many rural municipalities, the Municipal Funds program is their first source of regular project funding. The Municipal Funds project budgets are very small and the projects chosen are often not the top local priorities, but the simple fact of having a project budget is seen as a major step forward.¹ For example, participants offered the following observations:

With Solidarity we've seen that the money handled by the municipality is more productive, the projects are better quality and satisfy the communities more, since the people's direct participation in the projects means that they do them their way, to meet community needs, and then they take better care of them. . . . Even though it's a small amount of money, it's helped (Ixtlán de Juárez).

The supports are important, but we would like it if they sent at least twice as much and on time, so we could do something that was worth the trouble (Asunción Cacalotepec).

Our people, very few folks know how to differentiate [between different programs], that's the truth. They have an idea that all the programs are Solidarity, and they all help, but they don't know how to distinguish, to say, "listen, the Municipal Funds help us the most." No. . . . The

¹ At the same time, most municipalities also gained access to other lines of more discretionary Solidarity funding, such as schoolchildren's scholarships, small "handshake" crop loans, and school renovation funds, so local perceptions often conflated the various Solidarity programs.

money comes and that's great. Those who handled the program, they do know the difference (Magdalena Apasco).

The Solidarity programs motivated the folks to move forward, showing we really can do things. Between the government's help and with our own hands, we can do it (San Pablo Huixtepec).

In some regions the small size of the grants added to longstanding resentment about government neglect:

Now it seems that the government is very interested in paying attention to the peasants with this program, because before the community did its little projects with its own sweat and no help at all. . . . Some say it's a very good program [but] we think it is a tactic to improve the image of the PRI, since it's gone downhill (*muy decaída*). . . . It's a way for the government to get the peasants to keep quiet so they don't complain, but we already know the way we can get the government to do what it says, by pressuring it, [because] that's what they don't like. If the government wants folks to be quiet, it's going to have to help the peasants even more (Tanetze).

One of the most important findings was that active community participation in project selection and implementation is necessary but far from sufficient to produce antipoverty impact. Some observers might have expected that since smaller, more indigenous communities tend to be more participatory in their local governance, Municipal Funds projects would likely be more successful in such communities. In practice, however, the most remote and most indigenous communities had disproportionately *fewer* successful projects (defined in terms of having some positive social impact). The most plausible explanation for this ethnic impact bias is related to the very small project budgets per outlying community and the lack of sufficient community leverage over state officials to get the appropriate technical assistance (and discretionary counterpart funds) often crucial to high-impact projects.²

In spite of the program's pro-rural targeting measures, municipal centers still received consistently larger budgets than outlying communities. Local development project impact was constrained by the very small amounts available once budgets were divided up within municipalities. One problem with measuring this phenomenon is that

² This hypothesis is generally consistent with the case studies but the data set does not permit robust statistically based explanations.

the data on outlying settlements are quite uneven. In Oaxaca there are four different government catalogs of "localities" (submunicipal settlements), and if one adds all four lists and subtracts for repetitions, there are over two thousand more localities than are listed in the single largest catalog.³ Another ambiguity is in the different categories of submunicipal localities, some of which are formally considered *agencias* while others are mere "rural nuclei." Most officials tend to use the term *agencia* in the less formal sense, to refer to submunicipal settlements generally. This meant that when the state and federal authorities applied their formula of allowing each municipality Mex\$2 million extra per *agencia*, they were using the broader notion of locality.⁴

As an exercise to distinguish between average funding per municipal center and average funding per locality, the budgets for a sample of forty-five municipalities were broken down into 25 percent and 75 percent shares, assuming respect for the town center budget cap. This breakdown was examined in terms of the three full years of budget data, assuming that each locality received an equal share of their 75 percent. In only fifteen cases were average amounts per project outside the municipal center equal to or greater than the amounts spent in the town centers. The same issue was examined using actual project-level budget data, divided into averages for municipal centers and outlying settlements for each of the two years for which such data were available. In 1990, municipal centers received an average of Mex\$55,400, while projects in localities averaged just over \$13,000. In 1992, municipal center projects averaged over \$75,000, while projects in localities averaged just over \$27,000. Given this budget imbalance, it is not surprising that projects in outlying settlements did less well. Indeed, it is remarkable that the development impact imbalance is not even sharper.

Local development project impact was also constrained by the lack of adequate technical assistance. The issue of imbalanced budgets is quite straightforward, but the technical assistance issue is less clear cut. All but the largest municipalities lack their own technical capacity or the resources to hire private-sector services. As a result, the state government has a virtual monopoly on technical service provision for Municipal Funds projects (there is no private-sector interest in provid-

³ Interview, state government information systems official, August 1994.

⁴ Interview, former federal Social Development Ministry delegate, August 1994. He further indicated that this extra budget cushion for municipalities with more outlying settlements could be disbursed by the state investment planning commission in response to extra project requests. This suggests that the availability of extra funding was not necessarily widely known at the local level. If this information was not available to local communities, then one must assume that many potential project proposals were not forwarded up to the state planning commission.

ing technical services to tiny projects in remote areas). Municipalities also lack the leverage over state government officials needed to encourage better technical support.

With Oaxaca's 570 municipalities, only the largest local governments could be expected to have much leverage over state officials. Because electoral politics are not competitive at the state level, most municipal governments lack both the "exit" and the "voice" options available to local authorities that can increase accountability (that is, the threat of joining the state-level opposition offers little leverage). On the other hand, the lack of a statewide electoral challenge facilitates state government tolerance for those municipalities that do vote for the opposition.⁵

Project sustainability is a major potential future problem. The Municipal Funds program is designed to stretch limited resources as far as possible as quickly as possible. The prohibition on carrying out projects in stages, though sometimes ignored in practice, encourages an emphasis on short-term over longer-term impact, such as the use of low-quality materials that will not last (as in the example of the plastic water pipes discussed earlier). Even without this prohibition, since many villages must take turns to gain access to municipal resources, project funding appears to be one-time injections of resources. Budgets cannot extend into the future for project maintenance. In terms of project management, almost all the local Solidarity Committees last one year at most. They are only expected to be involved in the construction phase of the project. The program has few specific provisions for longer-term project management. This is less of a problem for those projects with highly targeted beneficiary groups, such as water users or the parents' associations and teachers involved in school repair. But responsibility for most projects is expected to fall to local government.

⁵On "exit" and "voice" in public service provision, see Paul 1991, 1992. The most promising alternative to the accountability problem would have been for the Municipal Funds program to fund nongovernmental/nonprofit sources for Municipal Funds technical support services in each region. For example, the Municipal Funds program could offer to cover NGO outreach and project design costs if the municipal authorities certified that the work was acceptable. Accountability is not the only issue, however. Lack of technological skill and creativity is also a major problem. Making small amounts of funding go as far as possible requires not only significant investments of time on the part of advisers, but also the capacity to explore technological alternatives to urban-biased construction formulas. For example, schoolhouses in the tropics do not need to be completely enclosed; alternative designs could save on cinder blocks and be more comfortable at the same time. The availability of technical alternatives is not just a cost issue; it also affects the potential viability of sewerage systems and potable water systems. Urban-based sewerage designs presume high population densities, running water, and a place to put the waste at the end of the pipe. In 1994, the state of Oaxaca did begin to include alternative latrines in its official menu of project alternatives.

The state government played a central role in program implementation but often did not encourage increased municipal autonomy and capacity as a development actor. The relationship between the state government and municipal governments in Oaxaca remains very imbalanced. So far, no evidence indicates that the Municipal Funds program significantly changed the federal/state/municipal balance of power; indeed, more funding was injected through the existing structure. Recall that the state government has to sign off on municipal project proposals. The largest potential institutional impact is at the municipal-submunicipal level.

The key institutional change encouraged by the Municipal Funds program in Oaxaca is *within* municipalities, shifting town center/*agencia* relations in favor of more outlying areas. In the context of the traditional centralization of power within municipalities, the requirement that most project funding go directly to the outlying villages created an important opportunity to target benefits to the poorest areas and to increase their voice within local government. Even though the per capita investments in outlying *agencias* may be very low, the Municipal Funds program appears to increase their capacity to manage projects and perhaps represent the interests of their constituents in other arenas. The sense of local entitlement encouraged by the Municipal Funds targeting formula could have unexpected consequences in favor of community empowerment (as in Ixtlán). In spite of the disproportionate share of problem projects in outlying areas, the Municipal Funds program still encouraged a new degree of intramunicipal decentralization.

The Chiapas experience highlights the limits to Municipal Funds as a poverty reduction strategy. Compared to Oaxaca, Chiapas municipalities are larger in terms of both area and population, the class and racial polarization between town centers and *agencias* is much more stark, and mayors appoint submunicipal officials rather than allowing them to be chosen by the villagers. Most municipal authorities in Chiapas are fully backed by state officials, but they do not appear to represent majority interests—as indicated by the widespread and broad-based civic movements that spread throughout the state after January 1994, far beyond the area of military conflict (Luevano 1995; C. Rodríguez 1995). Since Chiapas mayors had the power to appoint submunicipal *agentes* and since the Oaxaca evidence indicates that the program tends to be turned over to these local leaders, the program's targeting mechanism in favor of outlying areas is unlikely to have encouraged more accountable governance. In Oaxaca, the program's pro-rural, pro-municipal, *agencia*-targeting effort strengthened already responsive structures of local government in most of the state. Because of the sharply different preexisting structures of local government in Chiapas, the Municipal Funds program may well have

strengthened authoritarian local elites. The Oaxaca-Chiapas comparison suggests that both municipal democracy and intramunicipal decentralization are necessary conditions for the Municipal Funds program to target the rural poor effectively.

In conclusion, the impact of decentralization on government responsiveness depends more on the structures of governance than on funding flows. It is often assumed that decentralization necessarily encourages more accountable governance. The impact of decentralization on accountability depends on how representative local government was *before* receiving additional external resources. At least in Mexico, there is no evidence that increased external funding for municipalities, even with pro-rural targeting mechanisms attached, increases local-level accountability. Moreover, the Oaxaca experience of empowering submunicipal levels of government will not be automatically repeated elsewhere. In those states or regions where submunicipal government leaders are appointed by the mayors rather than chosen by their constituents, targeting funds to outlying areas by itself will not necessarily lead to intramunicipal decentralization and increased accountability to local communities. These conclusions suggest, therefore, that increased funding without institutional change is likely to reinforce the existing institutional structure.

Appendix 1

Sample of Oaxaca Municipalities

<i>REGION/ Municipality</i>	<i>Percentage of Region's Population</i>	<i>Size for Region</i>
<i>CAÑADA</i>		
Santa María Tecomavaca	0.91	small
San Juan Coatzacoapam	1.19	small
San Juan de los Cues	1.28	small
Eloxochitlán de Flores Magón	2.23	medium
Teotitlán de Flores Magón	3.59	medium
San Lucas Zoquiapam	3.88	medium
Santa María Chilchotla	10.25	large
<i>COAST</i>		
San Bartolomé Loxicha*	0.57	small
San Agustín Chayuco	1.14	small
Pluma Hidalgo	1.24	small
San Andreas Huaxpaltepec	1.35	small
San Juan Cacahuatpec	2.00	medium
San Agustín Loxicha	5.63	large
San Pedro Pochutla	7.05	large

<i>REGION/ Municipality</i>	<i>Percentage of Region's Population</i>	<i>Size for Region</i>
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ISTHMUS

Magdalena Tlacotepec	0.24	small
San Pedro Huilotepec	0.46	small
San Francisco del Mar	0.94	small
Magdalena Tequisistlán	1.36	medium
Santo Domingo Petapa	1.57	medium
San Juan Guichicovi	5.36	medium
Juchitán de Zaragoza	13.64	large

MIXTECA

Santa Cruz de Bravo*	0.13	small
Teotongo	0.31	small
Santa Cruz Tacache de Mina	0.67	small
Santa María Yucuhiti*	1.64	medium
Asunción Nochixtlán	2.63	medium
Tecomaxtlahuaca*	2.64	medium
Huajuapán de León	9.47	large

SIERRA NORTE

San Pablo Macuiltianguis	0.89	small
Tanetze de Zaragoza	1.11	small
Santiago Comaltepec	1.17	small
Asunción Cacalotepec	1.52	medium
Santiago Zacatepec	3.00	large
San Pedro y San Pablo Ayutla	3.23	large
Ixtlán de Juárez	3.75	large

<i>REGION/ Municipality</i>	<i>Percentage of Region's Population</i>	<i>Size for Region</i>
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SIERRA SUR

San Juan Lajarcia	0.29	small
Santa Ana	0.57	small
Santa María Lachixio*	0.71	small
San Pablo Coatlán	1.28	medium
Villa Sola de Vega	3.87	medium
Putla Villa de Guerrero*	8.68	large
Miahuatlán de P. Díaz	9.22	large

PAPALOAPAN

San José Independencia	1.03	small
San José Chiltepec	2.43	small
San Pedro Ixcatlán	2.53	small
San Juan Lalana	3.64	medium
San Felipe Jalapa de Díaz	4.34	medium
San Juan Bautista Valle Nacional	5.56	medium
San Juan Bautista Tuxtepec	29.05	large

CENTRAL VALLEYS

Magdalena Mixtepec	0.07	small
San Sebastián Abasolo	0.29	small
Magdalena Apasco	0.50	small
La Compañía	0.62	small
San Pablo Huixtepec	1.14	medium
Tlacolula	1.70	medium
Ejutla de Crespo	2.73	medium
Santa Lucía del Camino	4.05	large

Note: The field team was unable to reach those municipalities denoted with asterisks.

Appendix 2

Selected Municipal Case Summaries

The following brief accounts provide illuminating detail on the conditions surrounding the implementation of the Municipal Funds program in ten of the fifty-seven communities included in the study. The communities represent seven of the eight regions in which the field research was conducted. These observations are summaries based on field notes taken by the respective field researchers and often present interpretations of the operations of the Municipal Funds program in the words of the recipients themselves. They highlight the broad range of variation in conditions in communities prior to the introduction of the Municipal Funds program; in the program's channeling through diverse authority structures; in patterns of expenditure, often combined with other funding or with exceptionally high contributions of labor; and in outcome and popular perceptions of outcome.

San Juan Lalana, Papaloapan Region

—FIELD RESEARCHER: *Luis Adolfo Méndez Lugo*

San Juan Lalana is a small to medium-sized Chinanteca municipality in the Papaloapan region. Most of its nearly 14,000 inhabitants live in the forty-two outlying *agencias*. The Municipal Funds program tended to operate relatively successfully in this region, with better consolidated municipal councils and local committees, and more information about the program at the grassroots. It is clear that the state government's Regional Delegation played an important role here; it reportedly ratified projects chosen by the community but made no attempt to shape project choices.

Most of the membership of the local Solidarity Committees in San Juan Lalana was made up of municipal authorities, although other citizens were also named as committee members. The *tequio* labor contribution is considered the "natural law" for all public works here,

and this viewpoint was easily transferred to projects supported by the Municipal Funds program. Once the local Solidarity Committees were formed, broader assemblies were convened only when there were delays or irregularities in project implementation. Only one committee had serious problems during the 1993 cycle; it was relieved of its duties when it became clear that the rural road being built would primarily benefit committee members' relatives and friends. In contrast to other locales visited, the "community auditor" in San Juan Lalana was active in local project management.

In terms of project impact, the local community was very satisfied with the quality of the projects but felt they were too few in number. Most projects were operational, except for the drinking water tank that had been constructed below the level of most of the houses. Funding had not been sufficient to undertake high-impact projects such as drinking water or sewerage systems, roads, or housing. Instead, the community built schoolrooms, meeting halls, corn mills, and sports fields. As one school principal noted: "There is more now compared to what was done before, but it's all been done on a small scale." The mayor and village leaders agreed that by drawing on existing forms of organization, the Municipal Funds program had helped to increase community organization and networking.

San Juan Guichicovi, Isthmus Region

—FIELD RESEARCHER: *Luis Adolfo Méndez Lugo*

San Juan Guichicovi, a mid-sized, predominantly Mixe municipality in the hinterlands of the Isthmus region, is characterized by intense local conflicts between the ruling PRI party and a broad-based independent community organization, the UCIZONI (Union of Indigenous Communities of the Northern Zone of the Isthmus). Continued challenges following the election of the PRI candidate as mayor had forced this individual to conduct official mayoral business from his home. His successor, despite the fact that he also is the local leader of the ruling party, strongly criticized his predecessor's centralization of power, including control over the Municipal Funds program. The incumbent mayor noted that program participation was higher in the semi-urban "core" of the municipality, though limited by the former mayor's top-down style. The new mayor remained dependent on the regional offices of the state government, especially in the Municipal Solidarity Council.

UCIZONI, which has a strong presence in the outlying areas of the municipality, claimed that the Municipal Funds program worked poorly and has leveled related legal charges of corruption against the previous mayor. In two of the ten *agencias* visited, local Solidarity

Committees were found to be nonexistent. In one of those cases (Boca del Monte), funding had been allocated for a drinking water system that was never built: not only was the water source seven kilometers away, it was at too low an elevation to be able to transport the water using gravity. The project design had been provided by state government technicians. Meanwhile, U.S.\$3,000 worth of pipe remained in storage.

Most of the local Solidarity Committees were run either by the municipal *agentes* or by direct project beneficiaries, such as parents' groups or school principals in the case of school repairs. The *agentes'* importance in the program was reinforced by the mayor, who dealt with them as his main interlocutors. Both the involvement of municipal *agentes* and the inclusion of project beneficiaries built on the long-standing tradition of community public works committees. All forty-one of the municipality's *agencias* (including five controlled by UCIZONI) were allocated some kind of project funds during the program's first three years of operation. The state government's first-year program goal was to reach as many communities as possible, shifting to a more concentrated approach later on.

The regional officials from the state government played a determining role in project selection. "The assembly is not the birthplace of the projects; it is where projects are ratified by the community." This practice yielded project selections that either did not have high priority or were not adapted to local conditions, such as the water system mentioned above.

Villa Sola de Vega, Sierra Sur Region

—FIELD RESEARCHER: *Luis Adolfo Méndez Lugo*

Villa Sola de Vega is a subregional center in the Sierra Sur, with over 11,000 mestizo and Chatino inhabitants. A broad-based independent civic movement, the Frente Popular Solteco, won the last two municipal elections, once each with the support of two very different national parties: the National Action Party (PAN) and the Party of the Democratic Revolution (PRD). The Municipal Funds program operated smoothly here, although some outlying villages that had voted for the official party complained that they were being "punished politically" for their support for the PRI. However, even these communities received Municipal Funds in 1993, reportedly because their turn had come up, though one municipal *agente* thought that the "punishment had been lifted" after state government authorities brought pressure to bear.

Local participation in the Municipal Funds program took two forms. Projects that were categorized as public goods, such as basket-

ball courts or drinking water systems, were managed by the local submunicipal authorities. For those projects with more targeted impact, such as school repairs or construction of a warehouse, especially in areas outside the *agencias*, the local Solidarity Committee tended to be composed of local citizens, such as the parents' association for the school or farmers in the case of the warehouse. The committees lasted only as long as the project was in the construction phase, except in the case of a corn mill which was managed by a rotating committee together with the submunicipal authorities.

The Municipal Solidarity Council was the channel for presenting the project options to the local Solidarity Committees. The committees then made their choices in open village assemblies. Neither citizens nor submunicipal-level authorities were aware of the full range of projects permitted under the official program menu. The mayor's office, together with the state government's subregional authorities (located in the same town), reduced the program menu to three or four options (such as a corn mill, school, drinking water system, or warehouse), generally projects for which state authorities were able to use existing prototypes to prepare project plans. According to the former mayor, in the first year the communities tended to choose low-impact projects, such as basketball courts, but the change in program rules to require a 50 percent community contribution for such projects encouraged other kinds of project choices later on. Municipal Funds permitted undertaking more projects in the outlying communities than had been done in the past, and almost all were operating and well received. Some projects were carried out in stages, and some were finished thanks to extra resources received from the state government. According to the former mayor, the Municipal Funds program brought the town center and outlying villages closer together.

San Pablo Huixtepec, Central Valleys Region

—FIELD RESEARCHER: *Salomón González*

San Pablo Huixtepec is a medium-sized municipality, with over 8,000 inhabitants, located not far from the city of Oaxaca in the Central Valleys. Political conflict is minimal, and out-migration is high (25 to 30 percent of the population). The Municipal Funds monies were spent effectively but were centralized under the control of an enterprising mayor. Citizen participation was channeled through a "moral, civic, and material improvement board," organized to support the then-mayor's efforts. The official Solidarity structures were adapted to local customs.

The former mayor explained: "My role was to say: you know what? We received such-and-such amount of money, so you have to

do it this way." The local committees did not make decisions or handle money. Low community participation may have reflected changing conceptions of *tequio*. Residents increasingly reject obligatory, unpaid labor, especially on projects they did not choose. The ex-mayor explained that this change was due to the community's increased access to education.

The then-mayor was quite enterprising in administering Municipal Funds, finding the lowest prices for materials and recruiting expatriate villagers to provide skilled labor and to open doors in the state government. He also convinced the government to assign military draftees to provide "voluntary" labor, and he raised project funds from emigrants in the United States. The former mayor stressed the importance of extra contributions from discretionary state funds, without which many projects, such as street paving and a drinking water system, would not have been completed. This "presidentialist" approach depended heavily on one individual, who observed that his successor had failed to "take the initiative."

Tlacolula de Matamoros, Central Valleys Region

—FIELD RESEARCHER: Fausto Díaz Montes

Tlacolula is a relatively urbanized commercial center in the Central Valleys. According to the Mexican census, the population is a medium-sized 10,000, although local experts estimate it at 25,000. The town has undergone a decade of intense political polarization: an opposition government ruled from 1986 to 1989, and it was succeeded by parallel competing local authorities after election results were widely disputed. The official-party mayor ruled from a private locale, while the United Democratic Front of Tlacolula occupied the town hall. Persistent political tensions kept citizen participation in the Municipal Funds program to low levels. Municipal Funds were channeled to the official-party mayor, who allocated them in turn to other members of the ruling party in the town center. (This was clearly visible in the town center's uneven patchwork of sections of street paving.) The political conflict did not penetrate the municipality's three outlying rural *agencias*, however, and community participation in local development projects there was high.

In contrast to the pattern in the town center, local affairs in the *agencias* are still handled in community assemblies, and traditional community responsibility systems still operate. Local Solidarity Committees were elected that included both municipal *agentes* and citizens. Municipal Funds were well received: "In the first year that we got funds, we really worked hard. The community was very pleased because it wasn't just their own contributions, like before."

The *agentes* were nominated by their predecessors, but they had to be approved by the assembly. In one *agencia*, however, an outgoing leader failed to give a final accounting to the community, and this provoked a loss of confidence and a drop in participation. The urban projects tended to be school related, because of the important role of the teachers' union conflict in local politics. The rural projects included potable water delivery systems and a health clinic. The clinic was usually unstaffed; though it was fully equipped, no medical personnel had visited the clinic in over four months.

Ixtlán de Juárez, Sierra Norte Region

—FIELD RESEARCHER: Fernando Guardarrama Olivera

Ixtlán, with over 6,000 inhabitants, mostly Zapotecs, is large for its region but small when one considers that it is the district center of the Sierra Norte. Relations between the town center and outlying villages are tense, aggravated by sharp class differences and a history of land conflicts. Many of the outlying *agencias* joined to form a subregional association of villages to represent their interests at the state and federal levels. In the context of this successful initiative, leaders in the town center reportedly saw the Municipal Funds program as an instrument with which they could recover their lost influence in the outlying villages.

When discussing the Municipal Funds program, leaders in both the town center and the *agencias* concurred that state government officials usually made the final decisions on project selection. The municipal authorities decided in 1992 to combine the budgets for nine *agencias* in order to build a road that would reach only four of these *agencias* directly and two more indirectly. In the meeting of the Municipal Solidarity Council where this decision was ratified, *agencia* leaders were pressed to give their consent without having the opportunity to consult their communities, and the decision provoked extensive grassroots dissent. Resentment increased when citizens realized that this kind of road project could have been paid for with other state government funds. Local residents also claimed that the road project was not feasible given local soil and climatic conditions.

The outcome was that villagers felt that the town center had wasted the first local development funds targeted for them. Their frustration probably drove the grassroots action (which included *agencia* leaders) to detain the governor and his staff when they visited the region in mid-January 1994, shortly after the Zapatista rebellion. The mayor of Ixtlán was among those held hostage; when he threatened to call on his neighbors to rescue him, the village leaders re-

sponded that they were no longer afraid because "times have changed."

Inhabitants of the outlying communities tended to be critical of the Municipal Funds program. For example, according to one villager: "When the Municipal Funds started, those in the town center stopped giving us our share of the funds [participaciones]. . . . It's been two years now that they have given us nothing. . . . We hear a lot about funding supports from Solidarity. . . . They must be distributing them somewhere else, because here we haven't gotten anything. . . . They don't take us into account when the time comes to divide up the money that should go to each village. It comes already divvied out by the higher-ups, and they give us so little; it doesn't pay for anything. They say they're combating poverty, but it seems more like they're combating the poor people. . . . They must want us to disappear."

Tanetze de Zaragoza, Sierra Norte Region

—FIELD RESEARCHER: *Fernando Guardarrama Olivera*

Tanetze is one of the oldest municipalities in the Sierra Norte region. The first Spanish census found over 3,000 inhabitants there in 1548, almost twice the current population, still entirely Zapotec. One of the region's most important grassroots groups also emerged in Tanetze; the Independent Organization of United Communities of the Rincón of the Sierra Juárez has focused on public services, production supports, and more accountability from higher levels of government.

The Municipal Funds program was incorporated into the existing system of obligatory, unpaid, rotating community service responsibilities (*cargos*), as in most of the region. In the village center, for example, the municipal councillor for public works led the local Solidarity Committee. According to community custom, both the Solidarity Committee and the municipal authorities are held accountable by the assembly. The Municipal Solidarity Council met regularly, and project choices reflected the decisions of the citizens' assembly. The funds were divided equally between the municipal center and the one *agencia*.

In Tanetze, the community decided to pursue their first-choice project even though the government contribution to the budget was far from sufficient: "The support from the government was minuscule (*muy raquítico*); we knew it wasn't going to cover the cost, but the community decided to contribute in order to be able to do something worth the trouble, even if it took us three years, like with the multiple-use building that's under construction. . . . The government officials told us to do something simpler, like building bathrooms for the municipal marketplace or some such thing, but the people didn't

want to accept scraps, like putting a patch on old clothes. . . . Our ancestors taught us that when we do something we should do it well or not do it at all; that's why we made the government accept our proposal even though it wasn't going to be finished right away. A little while ago the state government officials wanted to give us funding to build two little rooms, but we said, thank you very much but we don't want it. Better to give [the funds] to another community that would accept them. But we didn't want them to come and bother us around election time either, like they always do."

The Municipal Funds budgets and technical support were additional sources of tension between the municipal and state governments: "The people who program the budgets for the Municipal Funds projects never take into account the needs of the population. We don't know on what basis they decide to give this or that amount, just that they come only to tell us how much there is and never how much we need. . . . When we had problems with the project last year, we went to see them in December to get some technical advice, but they told us that there was no more time because they were going on vacation."

San Pedro Pochutla, Coast Region

—FIELD RESEARCHER: *Manuel Fernández Villegas*

Pochutla is a large regional center, covering both peasant/indigenous upland villages and urbanized commercial areas near the coast. From 1989 to 1992 it was governed by the semi-official Authentic Party of the Mexican Revolution (PARM). Because of the Municipal Funds program's bureaucratic and technical complexity, the municipal authorities welcomed support from the state government. The local Solidarity Committees ended up being run by the municipal *agentes*, and the regional representatives of the state government strongly influenced both the Municipal Solidarity Council and the local community assembly's decisions. At the community level, the program was interpreted in terms of "which of these preselected options is most useful for us?" Drinking water systems were often the top priority, but they tend to cost more than the budgets allowed. Project selection was the result of a "concertation" between the suggestions of the state government technicians, the preferences of the municipal leaders and *agentes*, and the needs of the individuals meeting in the local assembly.

The state authorities ran the Municipal Solidarity Council sessions in which different local projects were voted on and prioritized. Projects that only involved generic prototype designs and budgets were favored, as were projects from the more politically influential locali-

ties (not the poorest). Many projects had little impact; some were left unfinished, in part because they were not community priorities (a second basketball court or a school built where there were no children), while others were finished but not operational because of lack of support from other government agencies (a completed clinic that lacked staff and furnishings).

Teotongo, Mixteca Region

—FIELD RESEARCHER: *Alejandro Arellano*

Teotongo is a small Mixteco village. Its local Solidarity Committee was very active, drawing from a strong community assembly and responsibility system. The Municipal Funds program began a year late here, however, because of political complications. The municipality was divided between residents (led by dissident teachers) who wanted to shift to the formal system of political party competition, and those who favored the "traditional" system. The traditionalists won, and local authorities continue to be chosen through "*usos y costumbres*."

According to the ex-municipal treasurer, the leader of the local Solidarity Committee "took charge of organizing the folks who were going to work, because the work was done based on *tequios*. Actually, the money from the program didn't add up to much; it was the contribution of labor and materials, the community work, that made the difference." The community assembly made real decisions in terms of project management and financial accountability. Building on a previous state government community development program in the Mixtec region, "Rain, Tequio, and Food," the community stressed drinking water as their main need. The residents ignored program formalities and carried out the project in stages (first a well, then a tank, and finally a distribution system). In contrast to most Municipal Fund projects, higher-level officials regularly "supervised" the construction, probably because of the village's proximity to the Mexico-Oaxaca highway.

San Juan de los Cues, Cañada Region

—FIELD RESEARCHER: *Luis Adolfo Méndez Lugo*

San Juan de los Cues, with about 2,400 inhabitants, most of whom are Mazatecos, is in the Cañada region in the northern part of Oaxaca State. Assemblies here have very high rates of participation, and the municipality has not experienced any electoral conflicts. Their Municipal Funds experience was unusual for two reasons. First, one local

Solidarity Committee continued working for three years, whether or not they received federal funds. Second, they used Municipal Funds monies for productive investment. Project leaders were also local submunicipal authorities, and the committees were quite autonomous of the mayor's office (working directly with state officials, for example).

One outlying community spent three years building a road. Their first year of funding covered only two of the twenty kilometers needed. The next year the community received no funding, while other communities took their turns, but nevertheless the residents continued to work on the road. As a "reward" for their continued efforts, the state and federal governments authorized a budget far above the usual ceiling, allowing the community to finish their road within three years.

Very few municipalities spend their funds on productive investments, but here there was a track record of Agriculture Ministry support for small-scale irrigation for cash crops (mainly fruit). Farmers were well, though not formally, organized. Project quality was rated as good, though not excellent.

Appendix 3

Submunicipal Governance Structures in Mexico

TABLE A.1
OFFICIAL SELECTION PROCESSES FOR SUBMUNICIPAL AUTHORITIES

State	Municipal Law and Reforms	Submunicipal Authorities	Selection Process
<i>Aguascalientes</i>	1977 [1983]	Delegates Subdelegates Commissioners Demarcation leaders Block leaders	All chosen by municipality
<i>Baja California</i>	1989	Councillors Delegates Subdelegates Sector leaders	Elected Others chosen by municipality
<i>Baja California Sur</i>	1986	Delegates	Elected
<i>Campeche</i>	1981 [1983, 1994]	Juntas Commissioners <i>Agentes</i>	Elected Elected Chosen by municipality
<i>Coahuila</i>	1990	none	

State	Municipal Law and Reforms	Submunicipal Authorities	Selection Process
<i>Colima</i>	1995	Juntas Commissioners Delegates	First two chosen by municipality; third chosen by mayor
<i>Chiapas</i>	1988	Municipal <i>agentes</i>	Chosen by municipality
<i>Chihuahua</i>	1982 [1992]	Juntas Police commissioners	Elected
<i>Durango</i>	1975 [1987]	Juntas Headquarters leaders Block leaders	Not indicated
<i>Guanajuato</i>	1984	Delegates	Chosen by municipality
<i>Guerrero</i>	1984 [1989]	Delegates Commissioners	Elected Chosen by municipality
<i>Hidalgo</i>	1983	Delegates Subdelegates Municipal colla- boration councils	Chosen by mayor Chosen by mayor Chosen by municipality
<i>Jalisco</i>	1984	Delegates Subdelegates Municipal <i>agentes</i>	All chosen by municipality
<i>México</i>	1982	Collaboration councils Delegates Subdelegates Sector leaders	Elected Elected Elected Chosen by municipality
<i>Michoacán</i>	1982 [1984]	Tenancy leaders Block leaders	Elected Chosen by mayor

State	Municipal Law and Reforms	Submunicipal Authorities	Selection Process
<i>Morelos</i>	1992	Municipal delegates Subdelegates Assistants	Chosen by municipality
<i>Nayarit</i>	1990	Social <i>procurador</i> Regional delegates Delegates Commissioners Auxiliary leaders Urban sector leaders Rural sector leaders Block leaders	Elected
<i>Nuevo León</i>	1991	Administrative delegates Citizen participation organizations	Chosen by mayor Elected
<i>Oaxaca</i>	1993	Municipal <i>agentes</i> Police <i>agentes</i>	Chosen by mayor or elected
<i>Puebla</i>	1984	Auxiliary juntas	Elected
<i>Querétaro</i>	1984	Delegates Subdelegates Sector leaders Block leaders	Chosen by municipality
<i>Quintana Roo</i>	1986 [1990]	Delegates Subdelegates	Elected
<i>San Luis Potosí</i>	1984	Delegates Leaders of <i>dependencias</i>	Chosen by municipality Chosen by mayor
<i>Sinaloa</i>	1984	Councillors Commissioners	Chosen by municipality
<i>Sonora</i>	1984	Commissioners Delegates	Chosen by municipality

State	Municipal Law and Reforms	Submunicipal Authorities	Selection Process
<i>Tabasco</i>	1984	Delegates Subdelegates Sector leaders Block leaders	Elected Elected Chosen by municipality Chosen by municipality
<i>Tamaulipas</i>	1984	Delegates Subdelegates Sector leaders Block leaders	Chosen by municipality
<i>Tlaxcala</i>	1984	Mayor's auxiliaries	Elected
<i>Veracruz</i>	1984	<i>Agentes</i> Block leaders	Chosen by municipality
<i>Yucatán</i>	1988	Delegates Commissioners Subcommissioners Block leaders	Chosen by municipality
<i>Zacatecas</i>	1993	Delegates Commissioners Sector/section leaders Block leaders	Elected from list chosen by municipality and Social Participation Committees

Source: Translation and summary of chart prepared by the Consejo Nacional de Desarrollo Municipal, November 1995. Thanks very much to Manuel Marroquín for providing this information.

TABLE A.2
SUBMUNICIPAL AUTHORITIES: ELECTED VERSUS APPOINTED

Elected (7)	Appointed (14)	Mixed (8)
Baja California Sur	Aguascalientes	Baja California
Chihuahua	Colima	Campeche
Nayarit	Chiapas	Guerrero
Oaxaca	Guanajuato	México
Puebla	Hidalgo	Michoacán
Quintana Roo	Jalisco	Nuevo León
Tlaxcala	Morelos	Tabasco
	Querétaro	Zacatecas
	San Luis Potosí	
	Sinaloa	
	Sonora	
	Tamaulipas	
	Veracruz	
	Yucatán	

Note: Data from the Consejo Nacional de Desarrollo Municipal do not register any submunicipal authorities in Coahuila, and they do not specify selection processes in Durango. Oaxaca is counted here as elected, based on the predominant pattern.

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